# Economic Report of the Governor 1990

*Submitted by*
George Deukmejian
Governor
State of California
*to the*
California Legislature
*1989-90 Regular Session*

State of California
GOVERNOR'S OFFICE
SACRAMENTO, CA 95814

GEORGE DEUKMEJIAN
GOVERNOR

May 15, 1990

To the Senate and Assembly of the Legislature of California:

Once again California's economy has turned in another solid performance in 1989. The secret to our success has been common sense fiscal policies, encouragement of investment in California by the private sector, the diversity of our industries and a forward looking vision of California's place in the world economy.

As we begin the 1990's, California is stronger and more prosperous than it has ever been. Our population has increased by 740,000, the largest gain since World War II. We have added more than 475,000 jobs accounting for one of every six new jobs in the nation; and retail sales have increased by more than 9 percent, nearly double the nation's 5 percent advance. Home building also remained strong, with single family permits at their highest level in 12 years. California continues to account for nearly one-sixth of all new home building in the nation.

The continued strength of California's economy is even more remarkable given several dramatic events in 1989. One such event was the defense cutbacks which recently received national attention. Last year alone, California lost approximately 17,000 jobs in defense related manufacturing. However, the state has continued to prosper despite these cuts in defense contracting providing solid evidence of the diversity of California's economy.

The Loma Prieta earthquake of October 17, 1989 also had little overall impact on California's economy. However, because of the earthquake, personal income which is estimated to be at 7.7 percent, was slightly lower than the 1988 8.1 percent gain.

As I enter my 28th and final year in public life, I am grateful for the opportunity the people have given me to serve them. It has been my goal to leave California better than we found it. I believe we have. We have made great strides in the 1980's -- from a state we inherited that was drowning in red ink to a state in the 1990's that is fiscally solvent and in prime economic condition ready to tackle the challenges of the nineties. Together we have restored economic excellence, but our real challenge is to preserve and protect it in order to pass along to the next generation the golden opportunities of the Golden State.

Most cordially,

George Deukmejian

George Deukmejian

STATE OF CALIFORNIA — GEORGE DEUKMEJIAN, *Governor*

**DEPARTMENT OF FINANCE**
OFFICE OF THE DIRECTOR

May 15, 1990

The Honorable George Deukmejian
Governor, State of California
State Capitol
Sacramento, California 95814

Dear Governor Deukmejian:

It is my pleasure to submit to you the Economic Report of the Governor 1990 -- the final economic report of your Administration.

Seven years ago, when you took office, you inherited a State where the unemployment rate was 11 percent, the budget deficit was $1.5 billion and the economy was being strangled by bureaucratic over-regulation. In addition, California's trade program was virtually non-existent, businesses were failing and agriculture was on the ropes. By requiring that State government live within its means, reducing the regulatory burden on the private sector and unleashing the entrepreneurial spirit of our citizens, your Administration has changed the face of California.

Over the past seven years, 2.8 million new jobs have been created, unemployment has been cut in half, every one of our budgets has been balanced, and California's credit rating is now Triple A. In addition, by establishing five overseas trade offices, creating an agricultural export program and an export finance program, California has dramatically improved its position in the world market place.

I want to take this opportunity to thank the staff in the Department of Finance for their time, expertise and dedication to the production of this report. As usual, their professionalism is evidenced by the quality of this report.

Governor, it has been a pleasure working with you over the last eight years. Your leadership has been exemplary and I believe the citizens of California are confident that our State is a better State today than it was when you assumed office.

Very truly yours,

JESSE R. HUFF
Director of Finance

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## EXECUTIVE SUMMARY

California completed another year of solid economic growth in 1989. Indeed, despite some slowing in the nation's economy, both population and employment gains in California exceeded the previous year's performance. Last year:

- Population increased 2.6 percent to 29.1 million as of July 1989. The 740,000 gain was the largest since World War II and the percentage rise the biggest in the last 25 years.
- Employment increased 3.9 percent as the state's economy created almost a half million new jobs.
- Personal income advanced 7.7 percent to $572 billion, more than 13 percent of the national total.
- Manufacturing added 15,000 jobs during the year, in contrast to a sustained decline nationally, and despite the continued gradual contraction of defense related manufacturing activities.
- Nearly 240,000 new houses were authorized for construction, the sixth consecutive year of strong homebuilding activity.
- Retail sales rose 9 percent, almost double the national increase.
- Production in the nation's leading agricultural economy reached an all time high of $17.3 billion.
- The Loma Prieta earthquake had little overall impact on the vigor of the state or Bay Area economies. Quake related unemployment claims, for example, amounted to no more than 10,000, out of a regional workforce of nearly 3 million.

The state's robust economic growth is continuing in 1990. Personal income is expected to rise more than 8 ½ percent to over $600 billion, an additional 400,000 new jobs will be created, and another 240,000 homes will be built.

In addition to the customary short term review and outlook, the beginning of a new decade offers an opportunity to take a longer view of economic developments. The 1980s were a very successful decade for the economies of both the nation and California. Inflation and unemployment were both cut by half. Living standards and productivity rose. Personal taxes were cut. The record of California's diverse economy was especially impressive:

- Population grew by more than 6 million. In the last half of the decade, the state accounted for more than one-quarter of the nation's population growth.
- More than 3.2 million jobs were created, and the unemployment rate fell to a 20 year low of 5.1 percent in 1989.
- California substantially increased its share of the nation's manufacturing jobs, from 9½ percent in 1979 to over 11 percent last year. There was strong growth in the professions and business services, both high-skill and high pay industries.
- California increased its contribution to the nation's economic output, from 12 percent at the end of the 1970s to 13 percent in 1989.
- While inflation was halved, California's income more than doubled.

The 1990s offer the promise of further substantial gains in the state's economy. By the year 2000, California can expect:

- Nearly 5 million new residents.
- Another 3.1 million new jobs.
- Personal income of $1.3 trillion.
- To contribute nearly 14 percent of the nation's gross domestic product.

# I. Overview

*"My fellow Californians, as we begin the 1990's, we should be thankful that our state is stronger and more prosperous than it has ever been . . . We have restored economic excellence—but now we must preserve and protect it . . .*

*Governor George Deukmejian*
*January 1990*

California's economy turned in another impressive performance in 1989. Against a background of slower economic growth nationally, job growth in California actually picked up a bit, with non agricultural wage and salary employment advancing 3.9 percent, up from 3.6 percent in 1988. The state added more than 475,000 jobs last year, accounting for one of every six new jobs in the nation. California's unemployment rate fell to 5.1 percent, the lowest annual figure in 20 years.

Personal income growth, estimated at 7.7 percent, was slightly short of 1988's 8.1 percent gain. However, the Loma Prieta earthquake reduced income growth by about 0.3 percent, while technical factors associated with the timing of bonus payments reduced income gains by about a half percent. Without these special factors, the underlying growth in personal income was about 8-1/2 percent.

Reflecting the strong basic income growth, retail sales increased more than 9 percent last year, nearly double the nation's 5 percent advance. New car sales, as measured by registrations, virtually equalled 1988's record pace.

California's vigorous economy continues to attract record numbers of new residents. July 1, 1989 population, estimated at 29,063,000, was up 740,000 over the mid-1988 figure. The gain was the largest since the World War II years of 1942-43. The 2.6 percent increase was the biggest in a quarter century.

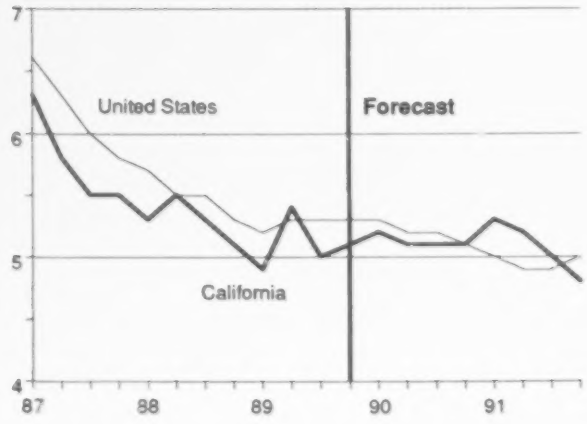
Homebuilding activity also remained strong, with permits issued for 238,000 units—the sixth consecutive year of 200,000-plus unit activity. Single family permits were the highest in 12 years and the second highest on record. In contrast, homebuilding activity nationally fell to a seven year low in 1989. The state continues to account for about one-sixth of all new homebuilding in the nation.

The continued strength of California's economy may be all the more remarkable in light of the ongoing cuts in defense contracting and their effects on the state's large high technology sector. Defense cutbacks have recently received national attention. In fact however, defense has not been a contributor to California's growth since 1985. Last year, defense related manufacturing lost about 17,000 jobs, on the heels of a similar drop in 1988.

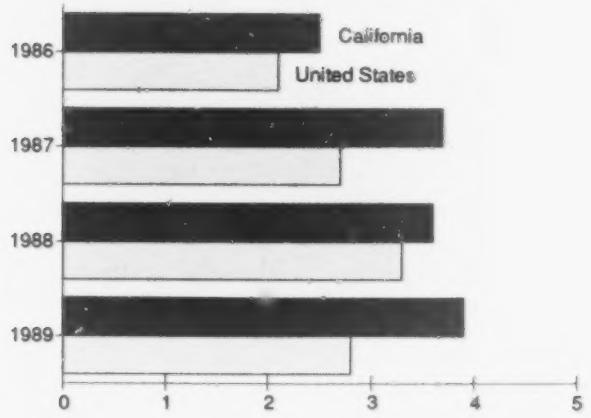
That the state has continued to prosper despite these cuts in defense contracting provides solid evidence of the diversity of California's economy. This diversity is even evident within the aerospace industries. Despite the winding down of the B-1 bomber program over the last three years, aircraft manufacturing employment has continued to expand, as commercial demand has more than offset the decline in defense related spending.

Unemployment Rate

(Percent)



Growth in Wage and Salary Employment
(Percent change)




As the 1990s begin, defense sector is about half as important to California as it was in the 1960s. Hence, the prospect of continued cuts in defense spending does not portend dire consequences for the state's economy. Other sectors will continue to pick up the slack. In many areas of the state, even proposed military base closings may turn out to be a long run benefit, in the sense that valuable land and labor resources will be freed up for other purposes.

Although the pace of economic growth in California may slow somewhat in 1990, in line with the national experience, the prospects are for continued, solid expansion this year and probably 1991 as well. As always, however, the national backdrop is a key element in California's economic performance.

## The National Economy

In 1989, the nation's economy completed seven years of growth, the longest peacetime expansion on record. Although the pace of activity slowed markedly last year, and remained sluggish as 1990 began, the odds favor continued expansion this year and next.

Growth in real gross national product last year slowed to 3 percent, from 4.4 percent in 1988. However, these growth rates are somewhat distorted by the effects of the 1988 Midwest drought, which reduced real GNP by 0.5 percent in 1988, while drought recovery added a like amount to the 1989 figure. Adjusted for the drought, therefore, real growth slowed from 4.9 percent in 1988 to 2.5 percent last year. Moreover, by the end of 1989, gains in real GNP were running at a 1 percent annual rate.

Unemployment continued to drop, averaging 5.3 percent, the lowest since 1973. Inflation remained relatively subdued, with consumer prices rising 4.8 percent in 1989 compared to 4.1 percent the previous year. However, excluding the volatile food and energy components, the rate of consumer price inflation was little changed at 4.5 percent in 1989.

Following robust growth in 1987 and 1988, most observers viewed the slowing of the U.S. economy last year as a positive development. Given the length of the expansion and the relatively low rate of unemployment, continued rapid growth could risk setting off an inflationary spiral, which once underway, has proven difficult to contain. While there has been some upward creep in hourly compensation costs over the last two years, wage increases have remained quite moderate. Cost pressures thus far have been concentrated in benefits, most notably rising Social Security payroll taxes and health insurance premiums.

The slowdown in real GNP was broadly based last year. Growth in consumer spending amounted to $71 billion, compared to $85 billion in 1988. Purchases of cars and other durable goods were the main element in the slowdown. Business fixed investment increased by $17 billion, less than half the 1988 gain. Residential investment declined by $6 billion. The improvement in net exports was $22 billion, about half the 1988 contribution to growth.

Only government purchases of goods and services increased their contribution to GNP growth, rising $21 billion compared to only $3 billion in 1988. However, the 1988 figure was held down by net paybacks of farm support payments, as drought-afflicted commodity prices rose well above government support levels. Last year's gain in government purchases reflected a return to more normal levels of Federal crop support payments.

**Consumer Spending.** In current dollars, the rise in personal consumption expenditures amounted to 7.3 percent, well below the 8.9 percent increase in current dollar personal income. The personal savings rate rose to 5.5 percent from 4.2 percent in 1988. Household debt continued to decline as a percentage of personal income. Taken together, the rise in savings and the

drop in the household debt ratio point to a welcome improvement in household liquidity, and may help set the stage for stronger growth in spending later this year and in 1991.

Car sales last year fell to 9.9 million units, from over 10.6 million in 1988. It was the first time in six years that car sales were below the 10 million unit mark. There is some evidence of market saturation—at the very least, pent up demand from the 1980-82 recessions was long ago satisfied. In addition, rising transactions prices and lengthening car loan terms are also having an effect on sales.

As measured by the consumer price index, car price increases have been relatively modest, averaging less than 3 percent last year. But actual transaction prices have been rising far faster, as manufacturers add to the list of standard equipment, including mandated pollution control and safety devices, which often provide little in the way of consumer satisfaction or perceived utility. In these circumstances, rebates and other sales incentives seem to be the only means available to stimulate car sales.

The slowdown in spending for household durable goods can be attributed to the softening in the nation's housing markets—new home construction and existing home resales. Lower interest rates, expected later this year, should provide a modest boost to housing and furniture and appliance sales.

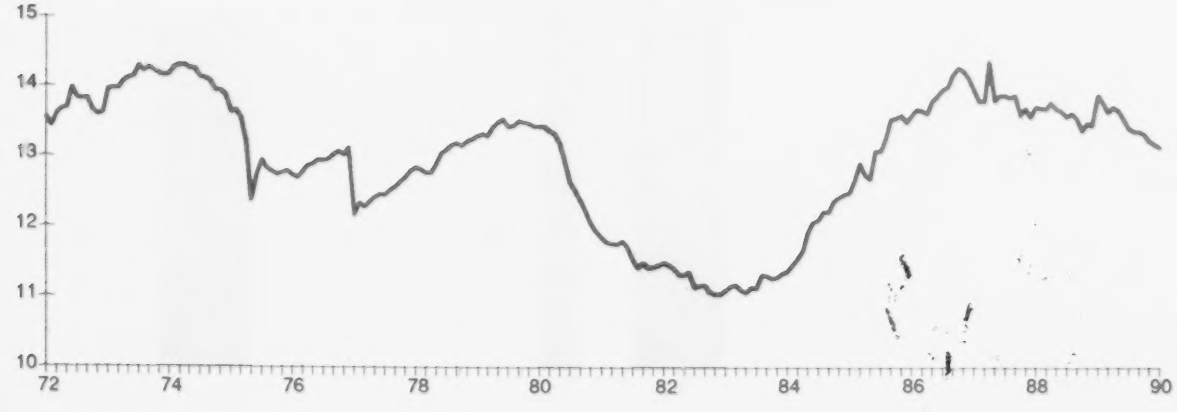
After two years of virtual stagnation, clothing purchases rose noticeably in 1989, advancing 4.7 percent in real terms. Moderate price increases, coupled with pent up demand, were major elements in the improvement. Reflecting higher prices—and changing tastes—real spending on food registered the smallest advance since 1981. Spending on food away from home was essentially unchanged during 1989.

**Housing.** Despite a declining trend of interest rates throughout much of the year, housing starts fell almost 8 percent to 1,385,000 units, the lowest volume since the recession year of 1982. Residential fixed investment declined by $6 billion in real terms from the 1988 level.

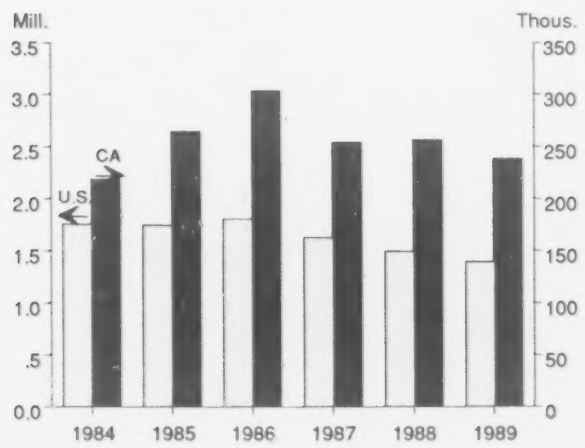
Multi-family starts, at 379,000 units, were the lowest since 1975. Apartment building activity continues to reflect 1986 tax law changes, which diminished the attractiveness of apartment investments as tax shelters. Equally important, the dwindling number of young adults in the population has reduced the demand for rental units, with the result that apartment vacancy rates remain high in many areas despite the low level of construction activity.

Single family starts also dropped nearly 8 percent last year, to just over 1 million units. Although both demographic trends—the sharp rise in the 30 to 40 year old population—and interest rate developments seemed to favor a more vigorous single family market last year, there were several elements which served to dampen activity in this sector. Inventories of unsold new homes were relatively high early in the year, about the time mortgage interest rates reached peak levels. As a result, many builders scaled

United States
Consumer Credit Excluding Revolving Credit
**(Percent of disposable personal income)**



Housing: California and United States




back plans for the busy spring and summer construction season. In addition, although mortgage rates declined, there were fewer low initial "teaser" rates available and many lenders—often under regulatory pressure—tightened qualification standards.

There is also some evidence that tighter regulation of the savings and loan industry affected the ability of builders to obtain interim construction financing. Like commercial banks, S&Ls must now limit their exposure to a single borrower to no more than 15 percent of regulatory capital. Previously, savings institutions could loan up to 100 percent of capital to a single firm. While the new regulatory climate may have resulted in some short term disruption to the construction lending market, there is little doubt that the over commitment to a few borrowers had been one of the principle causes of the thrift industry's problems. Presumably, credit worthy homebuilders will, in time, find alternate sources of funds among more strongly capitalized lenders.

**Business Investment.** With the growth of demand slowing, and profits under increasing pressure, the pace of business fixed investment also slowed in 1989. Investment in structures declined modestly for the fourth consecutive year. Oversupply of commercial offices and retail space continues to drive the nonresidential construction sector. Tax law changes have played a role, but—as is the case in apartments—longer run demographic forces, including slower growth of the labor force and the adult population, provide the major explanation for the long term drop in commercial construction.

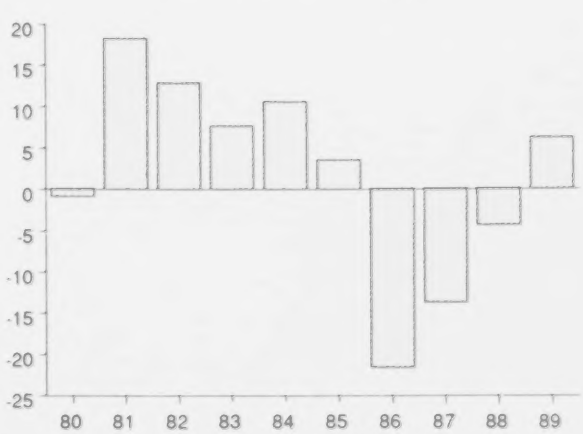
Equipment spending continued to grow, advancing more than 5 percent in real terms last year. The gain followed a massive 12 percent jump in 1988, and qualifies as a slowdown only in comparison. Indeed, spending on producers' durable equipment remained the strongest private segment of the economy last year in terms of percentage growth.

Business inventories remained well controlled last year, despite the slowing of sales in many industries. The $6 billion drop in the rate of real inventory accumulation is one reason that many observers believe that an economic downturn can avoided this year.

**Foreign Trade.** As widely expected, the nation's foreign

Trade Weighted Dollar

(Annual percent change)



account—net exports of goods and services—contributed less to economic growth last year than in 1988. In real terms, the export deficit shrank by $19 billion to $56 billion, the smallest in six years. In 1988, the deficit narrowed by almost $40 billion in 1982 dollars.

The improvement in the export deficit in recent years can be traced in large measure to the lagged effects of the massive depreciation in the dollar over the middle years of the last decade. In 1986, the dollar's exchange value fell nearly 22 percent, using the Federal Reserve's measure against ten key currencies, followed by a further 14 percent drop in 1987. In 1988 the drop was less than 5 percent, and last year the average exchange rate actually rose nearly 7 percent.

The weaker dollar had made U.S. exports more competitive in world markets, while at the same time tending to raise the price of imported goods. Given recent dollar movements, coupled with the need to import ever increasing quantities of petroleum, improvements in the trade deficit will prove increasingly difficult to achieve.

**Government Purchases.** Last year's $21 billion jump in real government purchases of goods and services was, as noted, largely due to a return to more normal levels of farm support payments following the 1988 Midwest drought. Excluding these Commodity Credit Corporation transactions, total government purchases were essentially flat in 1989, and Federal outlays actually fell in real terms.

National defense outlays declined by 2 percent, for the second year in row. State and local purchases grew by 2.9 percent in real terms.

Progress in reducing the Federal budget deficit came to a standstill last year. On a national income accounts basis, the 1989 calendar year deficit was slightly over $150 billion, compared to $145 billion in 1988.

**Labor Market Developments.** On an annual average basis, the nation added nearly three million jobs to nonfarm payrolls during 1989. However, mirroring the pace of economic activity, job growth was less robust in the latter months of the year. In particular, manufacturing employment reached a peak in March, then declined during each of the last nine months of the year. Weakness was most evident in the durable goods sector, including transportation equipment and basic materials. However, nondurable goods factory employment also declined slightly during the second half of the year.

The unemployment rate averaged 5.3 percent, down from 5.5 percent in 1988. The employment to population ratio—the percentage of the working age population employed—reached a record 63 percent during 1989, up 0.7 percentage points from the 1988 reading.

**Inflation.** The underlying inflation rate continues to be quite stable in the 4 to 4-1/2 percent range. The overall consumer price index rose 4.8 percent, on an annual average basis, up from 4.1 percent in 1988. But excluding food and energy, the increase was 4.5 percent, virtually identical to 1988's 4.4 percent advance. Moreover, on a December to December comparison, this measure of core inflation actually eased from 4.7 percent to 4.1 percent in 1989.

The broadest measures of inflation, the gross national product price deflators, also show a fairly stable pattern. The fixed weight deflator—which measures the same "basket" of goods and services each year—increased 4.5 percent in 1989, up slightly from the prior year's 4.2 percent gain. On a fourth quarter comparison, however, the 1989 increase of 3.8 percent was moderately less than 1988's 4.3 percent rise. The implicit price deflator, which takes account of both changes in prices and the mix of GNP, rose 4.1 percent on average, up from 3.3 percent in 1988. Again, however, the year-end comparison showed inflation moderating to 3.5 percent from 4.7 percent the year before.

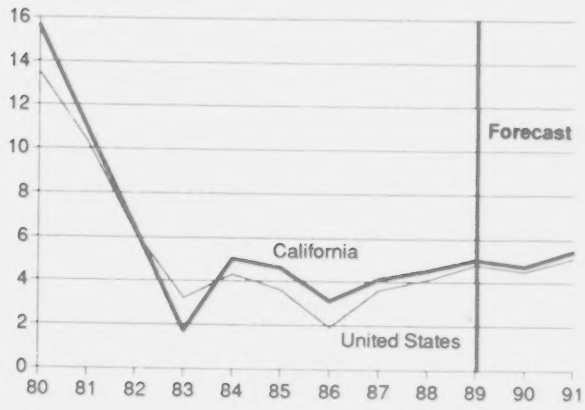
The leading indicators of inflation are giving mixed signals. Hourly compensation costs have been rising by about 5 percent annually over the past two years, compared to 3-1/4 percent during 1986 and 1987. Wage increases have been running in the low-4 percent range, up from 3 to 3-1/2 percent in 1986 and 1987. Benefit costs jumped nearly 7 percent in 1988, but moderated to around 6 percent last year. Inflation fighters can take some comfort from the fact that compensation costs stabilized in 1989, at a time in the business cycle when costs are often on a rising trend.

Less reassuring is the trend of productivity, which in 1989 exhibited very typical cyclical behavior. Last year, output per hour in the nonfarm business sector rose less than 1 percent, the smallest increase since the 1982 recession, when productivity actually declined. Dwindling productivity gains are often typical of the later stages of a business expansion, as the economy draws on less efficient capital and labor resources. Also contributing to last year's lackluster gain was the slowdown in the pace of economic growth. It is far more difficult to achieve productivity gains when output growth is slowing.

Overall, the combination of near-5 percent compensation gains, offset by the 1 percent rise in productivity, resulted in a 4 percent increase in unit labor costs last year. Over the long run, the rise in unit labor costs fairly well defines the underlying rate of inflation.

In the near term, however, there may be some relief in the form of declining commodity prices. Virtu-

Trends in Inflation
The Consumer Price Index
(Annual percent change)




ally all of the broad commodity indexes—measuring both foods and industrial materials—have been declining since last autumn and are generally below comparable year ago levels. The return of more normal weather has also encouraged a softening of oil prices, which had risen sharply in the wake of December's cold snap in the eastern two-thirds of the nation.

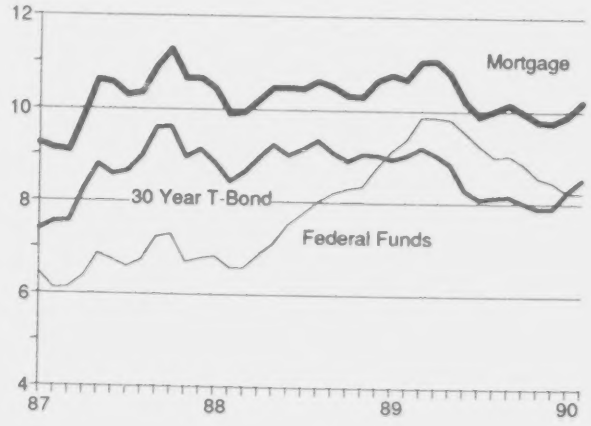
**Interest Rates.** After rising in the early months of 1989, interest rates reversed course and declined modestly during the second half of the year. The bond yield on three month Treasury bills reached a peak of slightly more than 9 percent during March and April. By early June, a gentle downward trend was evident, and by December bill rates had fallen by a little more than a percentage point, to a yield of 7.85 percent. Treasury long term bond rates moved almost in lockstep, also falling from a little over 9 percent in March and April to around 7.9 percent by year end. Throughout 1989, the yield curve—a line traced by yields at various maturities—was flat, essentially a straight line from 90 days to 30 years.

After easing monetary policy for a few months following the October, 1987 tumble in stock prices, the Federal Reserve maintained a generally restrictive policy for over a year, through the spring of 1989. Policy makers were concerned that the relatively rapid pace of economic growth, at a time of high capacity utilization and low unemployment, posed a risk of fostering an inflationary spiral.

The Federal funds rate—overnight funds traded among banks, and the interest rate most directly affected by the Fed's bank reserve adding and draining operations—rose from 6-1/2 percent in March 1988 to just under 10 percent a year later. In early May, evidence of a slowing of economic activity began to accumulate, and the Fed began to foster easier credit market conditions. The Fed funds rate fell to about 8-1/2 percent in December, and opened 1990 near 8-1/4 percent.

Contrary to many expectations, evidence of further weakness in fourth quarter data, released early this year, did not prompt any further easing of Federal Reserve policy. In Congressional testimony, Fed Chairman Alan Greenspan expressed the view that the danger

Selected Interest Rates
(Percent)



of a recession had been reduced significantly, and that the economy had probably passed its weakest point during the closing months of 1989.

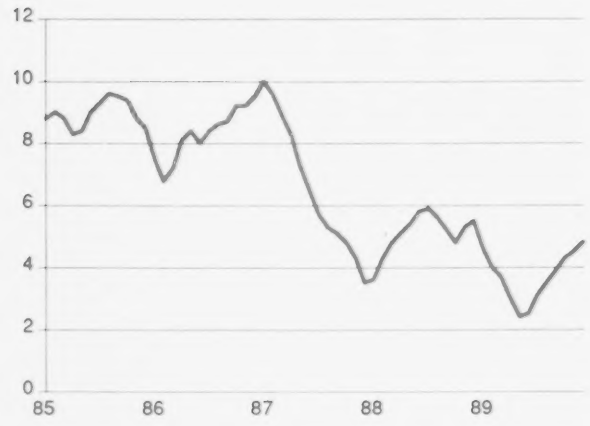
Several of the twelve Federal Reserve Bank presidents have advocated for some time a long term policy goal of eliminating inflation from the U.S. economy. In statements last year, Chairman Greenspan indicated support for a policy which would eliminate inflation as a factor in planning. Because of measurement problems, especially in the services sector, the Greenspan position probably translates into a measured inflation rate of 1 to 2 percent, although this has not been explicitly confirmed.

The adoption of the "no inflation" goal represents a subtle but important change in monetary policy. While the Fed has long been charged with the responsibility for containing inflation— monetary policy, in the final analysis, is the only means to do so—the central bank has usually been willing, often under political pressure, to forgo the inflation target in the interest of maintaining or promoting economic growth. The Fed's behavior in the early months of 1990 suggests that it may be willing to accept an extended period of sluggish economic growth in order to achieve a reduction in inflation.

**The U.S. Outlook.** *Note: The forecast outlined below, in Table I-1 and the accompanying charts, was prepared in December for the Governor's January Budget. Since that time, preliminary year-end data have been received for most economic series. Hence, forecast percent changes cannot be applied to the newly received actual data for 1989.*

The forecast envisions continued sluggish growth through the first half of 1990, with a modest acceleration in the second half of the year. Real growth for all of 1990 is forecast at 2.1 percent.

Growth in the Money Supply (M2)
(Percent change from previous year)




The case for a stronger second half economy rests in large part on a further reduction in interest rates. Lower rates would, among other things, invigorate the housing sector, improve prospects for consumer spending on durable goods and business fixed investment, and encourage a somewhat weaker dollar thus permitting a further narrowing of the export balance.

However, the failure of interest rates to decline in the early months of 1990—indeed, longer term borrowing costs actually increased nearly three quarters of a percentage point between December and March—raises the possibility of a more prolonged period of sluggish growth extending perhaps through the end of the year. The rise in long term U.S. interest rates has been associated with developments in Europe and Japan, underscoring the extent to which capital markets have become internationalized.

Even with a second half strengthening, most indicators of economic activity are likely to be somewhat weaker in 1990. The unemployment rate is expected to be essentially unchanged for the year, at 5.2 percent. Payroll employment growth is forecast at 2.5 percent, down from 2.8 percent last year.

Corporate profits have already been affected by the economic slowdown. For many industries—autos are a prominent example— sales gains have only come through price cuts. As noted, employee benefit costs continue to rise, and with output slowing, it is increasingly difficult boost productivity. As a result of these factors, pre-tax profits fell 5 percent in 1989. This year is likely to see a continuation of the downward trend in profits.

Personal income growth amounted to nearly 9 percent in 1989, boosted by the resumption of farm support payments following the end of the drought, and significantly higher interest and dividend payments. Lower interest rates in the second half of 1989—and the possibility of further rate cuts to come—will dampen interest income gains this year. With corporate profits on a declining trend, dividend growth will be less in 1990. So too, will bonus payments, which are included in

wage and salary income. Wages and salaries will also be affected by the slower growth of employment and the likelihood of reduced overtime. Sluggish labor markets will probably keep wage increases in the 4 percent range again in 1990.

Overall, income growth is expected to be in the range of 7 percent this year. Consumer spending, however, could nearly match last year's 7.3 percent advance in nominal terms. Households have managed to reduce moderately their debt burden as a percentage of income and have also upped their savings rate to 5-1/2 percent of disposable income, from a low of 3.3 percent in 1987 and 4.2 percent in 1988. Spending on clothing and nondurable goods should continue at a healthy pace, while car sales should advance modestly as the year unfolds.

Housing is the one sector most vulnerable to continued high interest rates. With the number of potential first-time home buyers declining each year, as the baby boom generation moves through its thirties and forties, the home purchase decision has become an increasingly discretionary one. Move up buyers can easily defer a home purchase until interest rates decline. Assuming the recent runup in longer term interest rates is quickly reversed, a modest 5 percent advance in new homebuilding, to around 1,450,000 units, is a reasonable expectation. Such a gain would also encourage some pickup in spending on household durable goods toward the end of the year.

Table I-1
The National Outlook for 1990 and 1991
**($ billions)**

| | *1990* | *Percent change* | *1991* | *Percent change* |
|---|---|---|---|---|
| Gross national product $1982 | $4,228 | 2.1 | $4,349 | 2.9 |
| Consumption expenditures | 2,740 | 2.6 | 2,813 | 2.7 |
| Durables | 441 | 3.0 | 460 | 4.4 |
| Nondurables | 927 | 1.2 | 942 | 1.6 |
| Services | 1,372 | 3.5 | 1,411 | 2.8 |
| Investment | 734 | 0.8 | 770 | 4.9 |
| Nonresidential structures | 121 | 1.1 | 124 | 2.1 |
| Producers' durable equipment | 400 | 2.1 | 421 | 5.2 |
| Residential | 197 | 3.6 | 205 | 4.4 |
| Inventory change | 16 | — | 20 | — |
| Net exports | −68 | — | −60 | — |
| Government | 822 | 1.9 | 827 | 0.6 |
| Federal civilian | 85 | 2.2 | 80 | −5.9 |
| Federal military | 254 | −0.8 | 252 | −0.9 |
| State and local | 483 | 3.3 | 495 | 2.5 |
| GNP deflator (1982=100) | 131.4 | 4.1 | 137.3 | 4.4 |
| GNP, current dollars | 5,558 | 6.3 | 5,971 | 7.4 |
| Personal income | 4,738 | 7.1 | 5,123 | 8.1 |
| Corporate profits before taxes | 265 | −6.1 | 299 | 12.9 |
| Wage and salary employment (mill.) | 111 | 2.5 | 115 | 3.0 |
| Unemployment rate (percent) | 5.2 | — | 5.0 | — |
| Housing starts (thous.) | 1,460 | 4.9 | 1,470 | 0.7 |
| New car sales (mill.) | 9.9 | −1.0 | 10.4 | 4.8 |
| Consumer price index | 129.4 | 4.5 | 136.0 | 5.1 |

Percent changes calculated from unrounded data.
Source: Department of Finance forecast as of December, 1989.

Given the weakness in corporate profits, coupled with declining capacity utilization rates through much of 1989, both the means and the need to boost business investment spending are lacking this year. Nonresidential fixed investment is expected to increase less than 2 percent in real terms, down from last year's 3-1/2 percent gain. Significantly for California industries, equipment spending—dominated in recent years by computers and other high technology equipment—is forecast to rise only 2 percent, compared to gains of 5 percent last year and 11 percent in 1988.

Businesses have managed to keep inventories well aligned with sales throughout the long economic expansion. Thus while additions to stocks will not contribute to growth in 1990, the careful management of inventories will help avoid the unintended overstocking which could trigger a downturn in economic activity.

With the dollar moving in a relatively narrow band, further dramatic improvement in the trade balance seems unlikely this year or next. Barring a downturn in U.S. economic activity— which would reduce imports significantly—the most likely outlook is for some deterioration in the net export position this year, with improvement resuming in 1991.

Government purchases are also likely to grow less rapidly this year than last. Defense purchases will continue to decline in real terms. Absent the drought rebound in commodity support payments, the rise in nondefense outlays will be considerably less than in 1989. Much of this year's gain is attributable to 1990 Census costs. Given growing budget constraints, especially in the major Northeastern states, modest growth in state and local spending is the most that can be expected.

By early summer, the current period of slow economic growth should gradually give way to gains in activity which are more in line with the economy's longer run potential of 2-1/2 to 3 percent. The outlook calls for real growth of just under 3 percent in 1991. The uptick is expected to be led by consumer spending, especially for durable goods. Modest improvements should also be evident in homebuilding, business fixed investment and net exports.

This year's slowdown will probably be sufficient to head off any worsening in the underlying inflation rate, which should remain in the 4 to 4-1/2 percent range. By the same token, with labor markets near full employment, there is little reason to expect cost pressures to diminish. Deviations from this "core" inflation rate will be determined by movements in food and energy prices. Energy costs should soften for a time this year, but tightening world markets could place upward pressure on petroleum prices in 1991. Food prices should moderate once seasonal fruit and vegetable production shifts away from Florida and Texas, which were hard hit by last December's freeze.

Table I-2
Inflation Trends, 1989 to 1991
(Percent change)

| | *1989* | *1990* | *1991* |
|---|---|---|---|
| GNP Deflator | 4.1 | 4.1 | 4.4 |
| Personal consumption expenditures | 4.4 | 4.3 | 5.3 |
| Business fixed investment | 1.6 | 1.4 | 1.4 |
| Residential investment | 4.0 | 4.4 | 3.6 |
| Government purchases | 4.1 | 4.3 | 4.8 |
| State and local purchases | 4.8 | 4.9 | 5.2 |
| Consumer Price Index | | | |
| United States | 4.8 | 4.5 | 5.1 |
| California | 5.0 | 4.7 | 5.4 |
| San Francisco | 4.9 | 4.5 | 5.5 |
| Los Angeles | 5.1 | 4.8 | 5.3 |

Source: U.S. Department of Commerce
Department of Finance forecast as of December, 1989.

## The California Outlook

The slowdown in California last year was less pronounced than in most parts of the country, and this relatively better economic performance is expected to continue during 1990 and 1991. By most measures, growth will probably be less this year than last. Personal income, however, could be an exception: special factors which held back income growth in 1989 will not be present in 1990, with the result that gains will appear stronger.

**Population Growth.** California's remarkable population boom continued in 1989, as the state added 740,000 new residents, on a mid-year comparison. In the latter half of the 1980s, the state accounted for 28-1/2 percent of all population growth in the United States. Since the 1980 Census, nearly one of every four new Americans came to (or were born in) California.

In 1988-89, net migration accounted for 421,000 of the gain, while the natural increase—births minus deaths—totaled 319,000. In recent years, California has benefitted from the relatively weak economies of the Southwestern states, and from foreign immigrants attracted to the state by the relatively large Latin American and Asian ethnic communities.

The annual figures are estimates by the Department of Finance's Demographic Research Unit, using a variety of data, including driver's licenses, birth and death statistics, school enrollments and Social Security information. Before the 1990 estimates are released, the first "headcounts" from the 1990 Census will be available on a statewide basis. By April of 1991, the Bureau of the Census is scheduled to release local population counts. Hence, although there is little evidence of any major change the state's population growth pattern, introduction of the new Census data could alter the benchmark on which the annual estimates are based.

The Census is almost certain to undercount the population, especially among recent immigrants, minority groups and the homeless. The Bureau has methods to estimate the extent of the undercount, and a major issue over the next year is whether the "official" Census figures will include an adjustment for undercounting, or will simply use the actual enumeration.

The stakes are quite high, since not only Congressional redistricting, but a variety of Federal outlays are tied to the population, income and housing data generated by the Census. States in the West and Southwest, as well as several major urban centers in the East, will probably suffer the largest undercount, and are thus urging the Bureau to use the adjustment factor. The Midwest and parts of the South will fare relatively better if only the actual counts are used.

Among the states, only a few Congressional seats are likely to be affected by the undercount issue. California, which is virtually assured a gain of six seats in the House of Representatives, could be in reach of picking up a seventh if an undercount adjustment is used.

**Labor Market Trends.** Contrary to the national experience, employment growth in California strengthened during 1989, and the unemployment rate hit a 20 year low at 5.1 percent of the labor force. The 3.9 percent employment gain occurred despite continued weakness in the state's high technology manufacturing sector, demonstrating California's economic diversity.

Construction employment was the leading gainer, up 7.3 percent for the year. Services employment continued to expand at a 6 percent rate. Finance, trade and government all posted advances in the mid to upper 3 percent range. Transportation and utilities rose 2-1/2 percent. Total manufacturing was up a little less than 1 percent, while the small mining sector posted a modest decline last year.

Data for early 1990 continue to show employment grow of better than 3 percent, well in line with the forecast rise of 3.1 percent for the full year. Manufacturing, which is now showing sharp year-over-year declines nationally, continues to evidence small gains in California. Construction employment is maintaining last year's strong pace. Service producing activities also continue to grow at about the same rate as during 1989.

The forecast takes into account some further weakening in high technology manufacturing—defense and nondefense—reflecting continued reductions in military spending as well as some dampening of business investment outlays. Reflecting the strong commercial market, however, aircraft manufacturing will continue to expand. Gains in other manufacturing are expected to offset the drop in the technology sector, with the result that factory payrolls will be essentially unchanged for the year.

Construction employment will continue to advance, rising about 5 percent for the year. Strength in single family homebuilding is expected to more than offset weakness in apartment and commercial construction activity. Housing permits are forecast to remain in the 240,000 unit range, with emphasis on the "move up" market comprised of larger single-family homes.

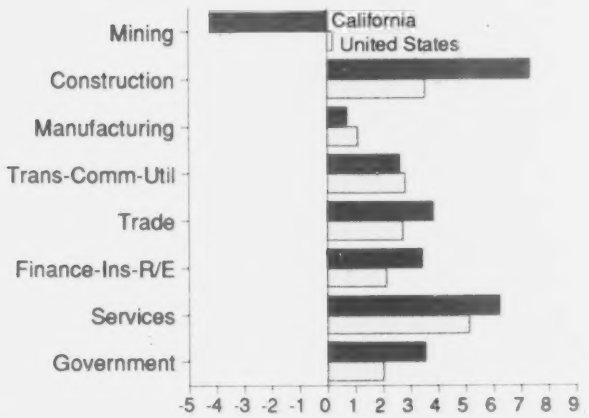
In recent months, there has been some leveling off in California's booming home resale market, and the outlook is for some further moderation in sales volumes—and price increases— in 1990. In this environment, gains in real estate employment will probably fall considerably short of last year near 8 percent advance. Finance and insurance growth is expected to maintain recent growth of 2 to 3 percent.

Growth in transportation—especially air transport—will probably be somewhat less vigorous this year, while communications and utilities will continue to achieve substantial productivity increases, resulting in somewhat reduced levels of employment. Wholesale and retail trade employment is likely to advance about 3 percent, slightly less than last year's gain.

Services will remain the state's leading job generator, although growth in hotels, motion pictures, amusements and temporary agencies (included in business services) will be slightly less than in recent years. Underlying government employment growth will be in line with overall labor market gains,

Employment Changes by Industry, 1989

**(Percent change)**



with a small additional bcost from the temporary hiring of Census takers during March and April.

Employment growth in the 3 to 3-1/2 percent range will probably continue in 1991. Somewhat weaker gains in construction and government may be offset by improved prospects for electronics and other durable goods manufacturers, and some strengthening in retailing and services.

The jobless rate is expected to remain near a "full employment" level of about 5 percent, with unusually tight 3 to 4 percent unemployment persisting in much of the Los Angeles region and San Francisco Bay area. Despite continued population growth, the number of young people entering the labor force will continue to decline, placing downward pressure on the jobless rate, even in the face of moderating employment gains.

The outlook for personal income, inflation and retail sales is examined in more detail in the following chapter. Inflation in California is likely to closely parallel the national experience. Income growth, however, may run counter to the national trend, showing a stronger increase this year than in 1989. California will share with the rest of the nation some slowing in interest and dividend payments, and the underlying growth of wages will also be somewhat less than last year, given the moderation of employment gains expected this year.

However, the factors which held back California income growth last year—the earthquake and the timing effects of bonus payments—are expected to add to income this year. Thus, the projected strengthening of income, from a 7.7 percent advance in 1989 to 8.8 percent this year, masks the underlying trend. Adjusted for these special factors, income growth last year was about 8-1/2 percent, while this year's underlying increase would be closer to 8 percent.

Table I-3
Population and Labor Force Trends
**(In thousands)**

| | *1989* | *1990* | *1991* |
|---|---|---|---|
| Total population (July 1) | 29,063 | 29,733 | 30,400 |
| Percent change | 2.6 | 2.3 | 2.2 |
| Civilian labor force | 14,518 | 14,786 | 15,228 |
| Percent change | 2.7 | 3.2 | 3.0 |
| Civilian employment | 13,780 | 14,029 | 14,459 |
| Percent change | 3.0 | 3.1 | 3.1 |
| Unemployment | 737 | 757 | 769 |
| Percent change | −1.5 | 3.7 | 1.6 |
| Unemployment rate | 5.1 | 5.1 | 5.1 |

Source: California Employment Development Department.
California Department of Finance forecast as of December, 1989.

Table I-4
Unemployment Rates for Selected Counties
**(Unemployment as a percent of civilian labor force)**

| *Lowest rate Counties* | *December 1989* | *1989 Year* | *Highest rate Counties* | *December 1989* | *1989 Year* |
|---|---|---|---|---|---|
| Marin | 2.2 | 2.6 | Imperial | 17.8 | 22.3 |
| San Mateo | 2.2 | 2.6 | Colusa | 15.0 | 11.4 |
| Orange | 2.4 | 2.9 | Sutter | 14.3 | 13.0 |
| Alpine | 2.9 | 5.2 | Trinity | 13.8 | 12.3 |
| Santa Clara | 3.2 | 3.8 | San Benito | 12.4 | 12.4 |
| Alameda | 3.4 | 4.2 | Tulare | 11.9 | 10.7 |
| Mono | 3.4 | 4.4 | Plumas | 11.6 | 10.5 |
| San Luis Obispo | 3.4 | 3.7 | Del Norte | 11.5 | 12.7 |
| Contra Costa | 3.5 | 4.1 | Siskiyou | 11.2 | 10.5 |
| San Diego | 3.5 | 3.9 | Sierra | 10.9 | 9.3 |
| San Francisco | 3.5 | 4.1 | Merced | 10.7 | 11.0 |
| Placer | 3.6 | 4.6 | Madera | 10.4 | 11.1 |
| Sonoma | 3.6 | 4.3 | Stanislaus | 10.4 | 11.3 |
| El Dorado | 3.7 | 4.3 | | | |
| Santa Barbara | 3.9 | 4.2 | California | 4.8 | 5.1 |

Note: Data are preliminary and are not seasonally adjusted.
Source: California Employment Development Department.

# II. The California Consumer

California is not only the largest state economy in the nation, it is also among the most prosperous. Per capita income and retail sales are far above the national average. California, with 11-1/2 percent of the nation's population, earns more than 13 percent of the nation's personal income and accounts for over one-eighth of retail spending.

The October 17 Loma Prieta earthquake, which did considerable damage in Santa Cruz, Santa Clara, San Francisco, San Mateo, San Benito and Alameda counties, had a surprisingly small effect on the economy of the Bay Area and the state. Obviously, for those whose homes or businesses were severely damaged or destroyed, the quake was devastating. But the extent of damage and economic disruption was considerably less than first imagined. Perhaps the extensive press and television coverage—it was the first "prime time" earthquake, occurring just before the third game of the Bay Bridge World Series—created an exaggerated view of the damage.

As explained below, the quake did result in a one time charge to personal income, amounting to about 0.3 percent of last year's state total, or about 1.3 percent of the Bay Area figure. Employment and unemployment effects, however, were minor and short-lived. Although many lost three to four days of work, only about 10,000 were out of work long enough to file jobless claims. The number was too small to effect unemployment rates, statewide or regionally. In many cases, employees were transferred to locations outside the damaged areas.

Retail sales effects are difficult to detect. If anything, sales were shifted to less affected areas, or postponed until transportation returned to more normal patterns. The reopening of the Bay Bridge a little over a month after the quake collapsed a section near the Oakland anchor, was no doubt a factor. The fact that the Bay Area Rapid Transit system (BART) was mainly undamaged also helped avert a major disruption.

About half the $8 billion in damage was to public structures, mainly highways. Another $1-1/2 billion was covered by insurance. Thus, uninsured private damage amounted to roughly $2-1/2 billion, well under 1 percent of the region's capital stock. Rebuilding and repair will actually add to economic activity in 1990, and probably provided something of a boost even in the closing weeks of 1989. Utilities, for example, brought in hundreds of extra workers—some from out of state—to effect rapid repairs of gas, electric and water lines damaged by the quake.

Table II-1
Personal Income in California, 1988 and 1989

| | *1988* | | *1989* | |
|---|---|---|---|---|
| | *Billions* | *Percent change* | *Billions* | *Percent change* |
| Total | $531.0 | 8.1 | $571.8 | 7.7 |
| Wages and salaries | 319.6 | 8.5 | 342.1 | 7.0 |
| Other labor income | 30.6 | 8.2 | 32.6 | 6.6 |
| Proprietors' income | 47.5 | 5.4 | 51.1 | 7.6 |
| Farm | 4.3 | −10.0 | 4.5 | 4.4 |
| Nonfarm | 43.2 | 7.2 | 46.6 | 7.9 |
| Interest | 71.9 | 9.6 | 83.0 | 15.3 |
| Dividends | 12.4 | 11.2 | 13.6 | 10.1 |
| Rent | 4.0 | 14.7 | 1.5 | −63.5 |
| Transfer payments | 69.8 | 7.2 | 75.3 | 7.9 |
| Less: Contributions for social insurance | 25.1 | 13.2 | 27.6 | 10.1 |
| Plus: Residence adjustment | 0.3 | 8.6 | 0.3 | 4.7 |

Percent changes calculated from unrounded data.
Source: U.S. Department of Commerce, Bureau of Economic Analysis
California Department of Finance.

Tourism may be the one sector which has felt lasting effects of the quake. The extensive media coverage has no doubt kept some potential visitors away from the Bay Area. Hotel occupancy rates are only slowly returning to more normal levels. Restaurants catering mainly to visitors indicate that business remained slow for several months after the quake. Locally oriented eating establishments, on the other hand, experienced stronger sales in the period immediately following the earthquake.

## Personal Income

California personal income advanced 7.7 percent to $572 billion in 1989, compared to a national increase of 8.9 percent. The national figure included a 0.6 percent drought recovery effect in farm income. California income, which was unaffected by the 1988 drought, included no drought recovery effects.

**Special Factors.** The Loma Prieta earthquake reduced California personal income by $2 billion or 0.3 percent last year. Uninsured damage to private property reduced rental income by about $1.5 billion and proprietors' income by $0.5 billion. Wage effects were relatively small. Damage to public structures, mainly highways, was heavy, but public damage is not included in personal income. Uninsured damage to property owned by corporations is not included in personal income but does represent a reduction to profits. Insurance payments also reduce profits, but this effect was spread throughout the nation.

Bonus payment patterns among personal service corporations—mainly professional services such as doctors, dentists, lawyers, accountants and consultants—and other small businesses have affected the timing of wage payments in recent years. When the 1986 tax reform was fully implemented in 1988, it became advantageous for small, closely held corporations to recognize income as wages (bonuses) rather than profits or deferred compensation such as pension contributions or life insurance annuities. These bonus payments tend to be concentrated at the end of the year, when principals are able to gauge the profitability of the firm. Having taken large payments in December, many principals go "off payroll" in the first half of the year.

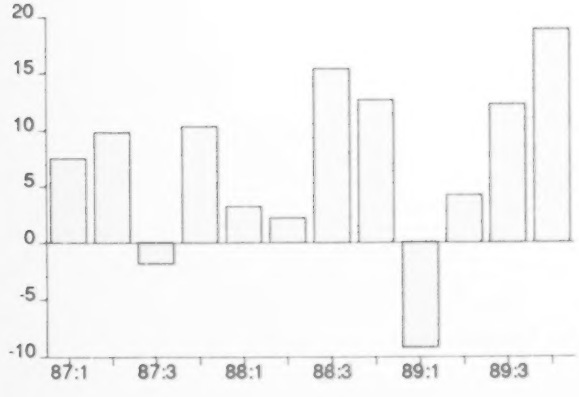
While this pattern began to emerge in the end-1987 and early 1988 income data, late 1988 and early 1989 was the first period that the full impact of the bonus payments was evident. Thus, 1988 income included a large year-end bulge in bonus payments, but the earlier months of the year did not fully reflect the ebb in wage payments seen in the first half of 1989. The pattern is illustrated in the accompanying chart, which traces the wage and salary component of personal income over the last three years. The first quarter 1989 decline in wages was the largest since the 1982 recession, occurred despite employment growth of more than 4 percent at an annual rate during the period, and was heavily concentrated in the professional service industries.

National personal income statistics do not as yet include these year-end bonus payments, and therefore do not exhibit the new pattern. Compared to the U.S., the bonus payment pattern appears to have reduced California income growth by about 1/2 percent in 1989.

Bonus payments in the finance industry—mainly brokerage firms, but also some depository institutions—fell sharply in 1989. Very large bonuses had significantly boosted finance wages in the 1986 to 1988 period. Declining fee and commission income in the stock and high yield bond markets, as well as problems in the savings and loan industry, virtually rule out further large bonus payments in the foreseeable future.

Adjusting the U.S. and California income figures for these special factors, underlying 1989 income growth was about 8.3 percent for the U.S. and 8.5 to 8.7 percent in California, depending on whether the securi-

California Wages and Salaries
Quarter-to-Quarter Change
**($ millions, seasonally adjusted)**



ties industry bonuses are considered an exceptional item.

**Components of Personal Income.** Wages and salaries, at $342 billion, accounted for just under 60 percent of total California income last year. The figure represented an increase of 7 percent over the previous year. Average wages per worker in the nonfarm sector rose only 2.8 percent, to $26,175. The gain was well below the national increase of slightly over 5 percent.

Average wages can be affected by the number of hours worked and the extent to which dual wage earners are a factor in employment growth. Tight labor markets are often associated with a rising proportion of second jobs.

However, the average wage figures were also affected by some of the special factors discussed above. For example, finance sector average wages rose only 0.9 percent, a result of the large drop in securities industry bonuses, as well as somewhat weaker commission income in real estate. Services wages rose less than 3 percent, in large part because wages among many professional industries rose only marginally, reflecting the bonus payment pattern described earlier. The trade industries, where the year end bonuses are also quite common, registered an average wage increase of only 2-1/2 percent.

The new immigration law, which was in full effect for the first time throughout 1989, may have also affected average wages. Amnesty, and the requirement that firms document employees' immigration status, encouraged the addition of many previously "off the books" workers to the payroll system. To the extent that these newly documented workers are more often at the lower end of the pay scale, average wages were probably affected.

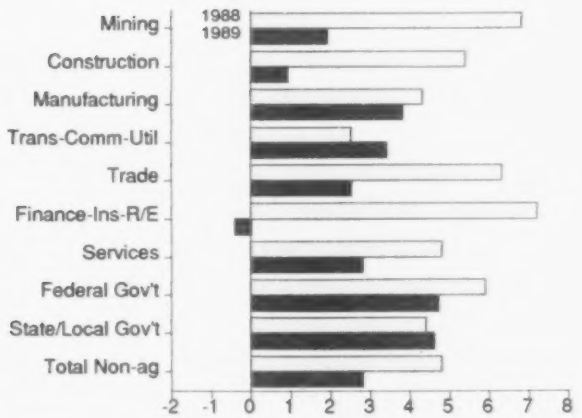
Average construction industry wages rose less than 1 percent, but this was probably related to rapid employment growth in the industry, which is often associated increased part-time work. Wages per worker increased nearly 4 percent in manufacturing and 3-1/2 percent in the transportation and utilities sector, both in line with the national experience. Government wages rose 4-1/2 percent on average.

Other labor income, mainly employee benefits such as health insurance and pension contributions, increased 6.6 percent, below the 7 percent rise in total wages. Although health insurance costs are rising rapidly, benefits as a percentage of wages have been declining in recent years, reversing a long term trend. Higher investment returns have allowed reduced pension contributions, while the 1986 Federal tax act placed limitations on tax deferred pension and life insurance benefits.

Despite earthquake related losses, proprietors' income advanced more than 7-1/2 percent to $51.1 billion. Without the $0.5 billion of uninsured quake losses, the increase would have been over 8-1/2 percent. Farm proprietors income, which was essentially unaffected by the earthquake, rose 4.4 percent. Nonfarm income increased almost 8 percent.

Property income posted a strong 11 percent gain, reflecting a sharp 15

Percent Change in Average Wages
1988 and 1989




Average Wages by Industry, 1989
($ thousands)

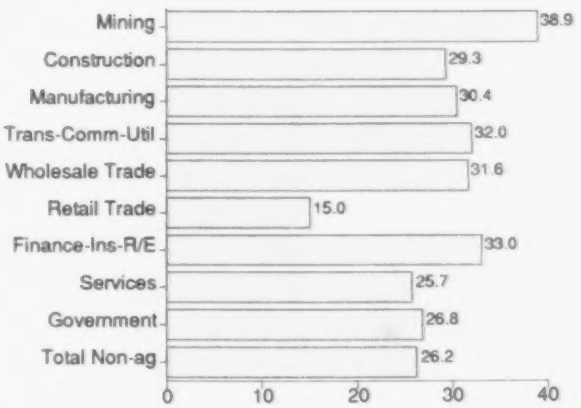


Table II-2
Personal Income Among the Leading States
**(Total income in billions)**

| *Total income* | *1987* | *1988* | *Per Capita Income* | *1987* | *1988* |
|---|---|---|---|---|---|
| CALIFORNIA | $491.4 | $531.0 | Connecticut | $21,258 | $23,059 |
| | | | New Jersey | 20,277 | 21,994 |
| New York | 320.0 | 345.7 | Massachusetts | 19,131 | 20,816 |
| Texas | 232.3 | 245.6 | Maryland | 18,217 | 19,487 |
| Florida | 187.5 | 204.8 | New Hampshire | 18,083 | 19,434 |
| Illinois | 189.9 | 204.1 | New York | 17,943 | 19,305 |
| Pennsylvania | 181.5 | 194.8 | Alaska | 18,461 | 19,079 |
| New Jersey | 155.6 | 169.8 | | | |
| Ohio | 157.6 | 168.6 | CALIFORNIA | 17,770 | 18,753 |
| Michigan | 143.2 | 152.9 | | | |
| Massachusetts | 112.0 | 122.6 | Virginia | 16,539 | 17,675 |

Note: States are ranked by 1988 figures.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

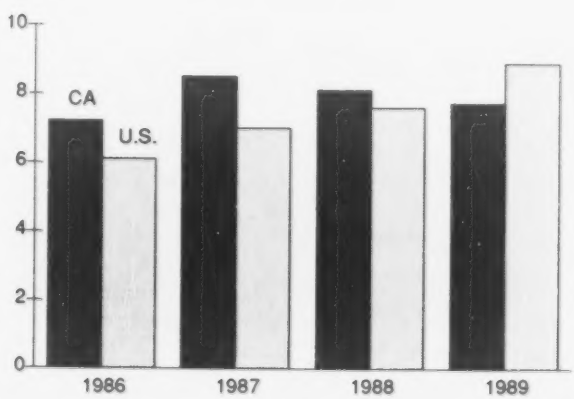
percent rise in interest income. The $98 billion figure was reduced $1.5 billion by the earthquake's effects on rental income. A portion of the rent component represents the imputed rental income of homeowners. In the national income accounts, homeownership is treated as an enterprise, and homeowners are credited with rent on the dwellings they occupy.

The jump in interest income reflects the lagged effects of rising interest rates in 1988 and early 1989. However, as certificates of deposit, money market fund shares and other credit market instruments purchased during this period mature, they are being replaced with lower yielding paper, and toward the end of 1989 growth in interest income began to slow. For example, interest income grew more than $3 billion at an annual rate between the first and second quarters of last year, but the third to fourth quarter gain was only $1.4 billion.

Transfer payments, comprised mainly of Social Security benefits, welfare payments and unemployment compensation, increased about 8 percent to $75.3 billion.

Fundamental factors, including somewhat slower employment gains, lower interest rates and fewer dividend increases, point to a slightly reduced pace of income growth in 1990. However, earthquake recovery will add more than 1/2 percent to income, and the timing of bonus payments will no longer distort the annual comparison. Hence, despite a somewhat slower economy, income growth in excess of 8-1/2 percent is a reasonable expectation this year, followed by a similar gain in 1991.

Personal Income
California and United States
(Percent change)




## Retail Trade

Retail sales rose 9 percent last year, according to U.S. Department of Commerce estimates. The California increase was nearly twice the nation's 5 percent gain. There were

signs of a slowing in consumer spending toward the end of the year. In December, the biggest retail month, California sales were up 6 percent over the 1988 level, while sales nationally increased only 2 percent. The retail sales figures seem to confirm the view that underlying personal income growth was stronger than the indicated 7.7 percent increase.

In California, sales by durable goods stores increased 10 percent, while nondurable goods were up a little over 8 percent. Regional figures show a 7 percent gain in the five-county Los Angeles area and an 11 percent increase in San Diego County. Despite the earthquake, the ten county Bay Area (including Santa Cruz) turned in the strongest retail performance of any major metropolitan area in the nation, with sales up 14 percent.

Taxable sales, which exclude food for home consumption and prescription medicines, advanced a little less than 8 percent, according to preliminary estimates. The difference in percent changes probably relates to sampling variability and nonresponse in the Commerce Department data. For 1988, Commerce data had shown a somewhat weaker sales gain compared to the taxable figures. Complete tabulations of taxable sales have been delayed by problems associated with the earthquake and the emergency 1/4 cent sales tax which went into effect December 1. The annual figures are expected to be available by mid year.

Car and noncommercial light truck sales remained strong in 1989, with registrations of 1,450,000 just 1 percent less than the previous year's record total. Nationally, car and light truck sales declined 6 percent to 14.6 million units. New car and truck registrations totaled 1.8 million in California, including 360,000 commercial registrations. The figure equalled 12 percent of 1989 U.S. vehicle sales of 14.9 million. In California, it is likely that approximately 300,000 light trucks and passenger cars are included in new commercial registrations, with new heavy truck registrations of almost 60,000.

Registration figures for the latter half of 1989 indicate some slowing in the pace of car sales. Registrations in five of the last six months of the year were below the comparable 1988 pace.

Trade, including wholesale and retail, is California's second largest employer, providing 3 million jobs. Retailing employs over 2.2 million, approximately one-third of whom are in eating and drinking places. Growth in retail employment has been moderate—3.3 percent last year and 3.5 percent in 1988. This suggests that sales per employee have been rising a little more than 5 percent annually, about the same as last year's increase in consumer goods prices in California. Thus, in real terms, sales per employee were about unchanged last year.

Table II-3
Consumer Price Indexes, 1989
**(1982–84 = 100)**

| | *U.S.* | *Percent change* | *San Francisco* | *Percent change* | *Los Angeles* | *Percent change* |
|---|---|---|---|---|---|---|
| All Items | 124.0 | 4.8 | 126.4 | 4.9 | 128.3 | 5.1 |
| Food | 125.1 | 5.8 | 129.1 | 6.6 | 123.5 | 5.9 |
| Food away from home | 127.4 | 4.6 | 129.1 | 4.4 | 123.6 | 6.0 |
| Residential rent | 132.8 | 3.9 | 144.2 | 3.9 | 143.2 | 4.7 |
| Homeowner's costs | 137.3 | 4.7 | 153.3 | 4.8 | 148.5 | 5.5 |
| Fuel and other utilities | 107.8 | 3.3 | 119.9 | 2.7 | 119.5 | 3.1 |
| Apparel and upkeep | 118.6 | 2.8 | 104.2 | 1.8 | 118.8 | 3.9 |
| Transportation | 114.1 | 5.0 | 109.6 | 4.1 | 119.6 | 5.1 |
| Medical care | 149.3 | 7.7 | 147.9 | 8.0 | 149.8 | 7.3 |
| Entertainment | 126.5 | 5.2 | 133.1 | 3.1 | 120.9 | 4.8 |
| Other goods and services | 147.7 | 7.8 | 152.2 | 8.6 | 155.3 | 11.0 |
| *Special indices:* | | | | | | |
| Goods | 116.7 | 4.7 | 117.1 | 5.4 | 116.6 | 5.2 |
| Services | 131.9 | 4.9 | 134.8 | 4.5 | 138.8 | 5.0 |
| Energy | 94.3 | 5.6 | 103.8 | 8.0 | 98.3 | 7.2 |
| All items excl. medical care | 122.4 | 4.6 | 125.2 | 4.7 | 127.0 | 5.0 |
| All items excl. shelter costs | 121.6 | 4.9 | 122.2 | 4.9 | 124.1 | 5.1 |

Source: U.S. Bureau of Labor Statistics.

Prospects for retailing are a little less robust for 1990. As indicated in the previous section, underlying income growth will probably be slightly less this year, even though reported figures may indicate some pickup in income gains. Unit car sales, as measured by registrations, are expected to edge down again, although the decline is expected to be less than 1 percent. However dollar sales in the automotive group, which rose more than 8 percent in 1989, are expected to be up about 3 percent in 1990. Building materials sales, which grew almost 10 percent last year, may rise only half as much in 1990.

Eating and drinking places will continue to face flat to declining sales, after adjusting for inflation. The aging population is less likely to eat away from home, while microwave ovens and the proliferation of convenience and take out foods at grocery stores are providing new competition.

Department and specialty stores should maintain recent sales gains in the 7 to 8 percent range. Overall, retail sales growth will probably be about a percentage point less in 1990 than in 1989. Next year, the prospect of a stronger new car market could provide an additional boost to retail sales.

## Consumer Prices

Consumer prices in California rose 5 percent last year, roughly the same as the nation's 4.8 percent increase. The California index is a population weighted average of the Los Angeles and Bay Area indexes. The San Diego index, which is now available only for June and December, is no longer included in the California average. Last year, prices in the five county Los Angeles region increased 5.1 percent, Bay Area prices advanced 4.9 percent and the rise in San Diego was 5.8 percent.

San Diego's larger increase reflected sharp jumps in transportation and medical care costs. Transportation increased 9 percent in San Diego, compared to 5 percent in Los Angeles and 4 percent in the San Francisco area. Gasoline prices leaped over 13 percent, nearly double the increases in the other two urban regions. The twice a year sampling probably over emphasized the late year rise in gasoline prices in San Diego. Medical costs rose 12 percent, compared to 8 percent in the Bay Area and slightly more than 7 percent in Los Angeles.

Despite the runup in home prices, homeownership costs have remained moderate in California. The homeownership component of the consumer price index uses single family rents rather than purchase prices and mortgage rates to gauge housing inflation. This is done because only a small proportion of the population actually buys a house in any month or year. Los Angeles area homeownership costs rose 5.5 percent in 1989, 4.8 percent in the Bay Area and 4.9 percent in San Diego.

Food price increases averaged a little over 6 percent, reflecting the lagged effects of the 1988 Midwest drought and a tighter world market for dairy products. Higher feed costs prompted reductions in egg production, and prices hit record levels late last year. The drought, coupled with reductions in European surpluses, drove milk prices up sharply. The Florida and Texas freeze has had a relatively modest impact on fruit and vegetable prices in California.

Table II-4
Consumer Price Indexes, 1990 and 1991
**(Percent change)**

| | *U.S.* | | *San Francisco* | | *Los Angeles* | |
|---|---|---|---|---|---|---|
| | *1990* | *1991* | *1990* | *1991* | *1990* | *1991* |
| All items | 4.5 | 5.1 | 4.5 | 5.5 | 4.8 | 5.3 |
| Food | 3.2 | 4.9 | 2.7 | 4.8 | 3.3 | 4.9 |
| Food away from home | 4.2 | 5.2 | 4.7 | 5.5 | 3.9 | 4.3 |
| Residential rent | 4.8 | 5.3 | 5.1 | 6.4 | 4.9 | 5.2 |
| Homeowner's costs | 4.9 | 5.3 | 5.3 | 6.4 | 5.9 | 5.7 |
| Fuel and other utilities | 2.4 | 3.2 | 3.2 | 5.5 | 4.0 | 3.4 |
| Apparel and upkeep | 3.4 | 3.7 | 4.5 | 3.4 | 4.6 | 5.7 |
| Transportation | 5.2 | 5.6 | 4.4 | 4.6 | 4.4 | 4.7 |
| Medical care | 7.3 | 7.5 | 7.8 | 7.3 | 7.2 | 7.4 |
| Entertainment | 4.7 | 5.2 | 5.8 | 6.4 | 4.4 | 4.5 |

Source: California Department of Finance forecast as of December, 1989.

Cold weather in the east did affect gasoline prices in California, as oil supplies were tight and refineries shifted to the production of heating oil. Both food and energy prices should moderate later this year. Smaller tuition increases, announced by major private colleges, should also help dampen the "other" category of consumer prices, which has risen rapidly in recent years. Health care costs, however, are expected to continue to rise at an above average pace.

Overall, California consumer prices are forecast to increase about 4-1/2 percent this year, slightly less than in 1989. A gradual tightening of residential rental markets could push housing costs up in 1991, resulting in consumer price increases in excess of 5 percent next year.

# III. Goods Producing Industries

Patterns were mixed in California's goods producing industries last year. Construction was strong, reflecting the ongoing shift toward larger single-family homes in the residential sector, while nonresidential activity held steady in most areas. Manufacturing showed only modest gains, but at least avoided the declining trend seen in the national data. Slack energy and metal market conditions led to modest cutbacks in the mining industry.

Foreign trade volume continued to grow, reaching $157.1 billion of goods passing through the state's ports. Exports increased 17.5 percent, double the 8.7 percent rise in import values.

## Manufacturing

California's factory sector posted modest gains in 1989, in contrast to the ten month decline in manufacturing employment nationally. Last year, state factory employment averaged 2,165,000, an increase of 0.7 percent over 1988. High technology aerospace and electronics employment declined slightly, but this was more than offset by gains in apparel, food processing, petroleum, lumber and stone-clay-glass.

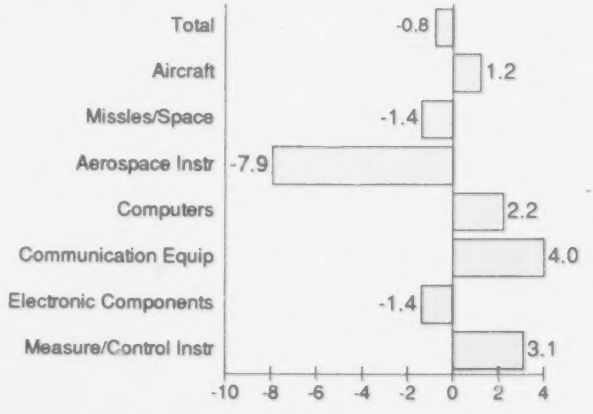
**High Technology.** The technology sector accounts for one-third of all manufacturing employment in the state. Once closely associated with military and defense spending, the sector now operates in diverse markets, including commercial aircraft, business equipment, home computers, and private and public space vehicles, in addition to defense department contracting.

The aerospace and electronics industries were among those most affected by the 1987 Standard Industrial Classification (SIC) revisions, which are being introduced to the employment data this year. High technology is now defined to include computers, communication equipment, electronic components, aircraft, missiles and space vehicles, search and navigation instruments, and measuring and controlling instruments.

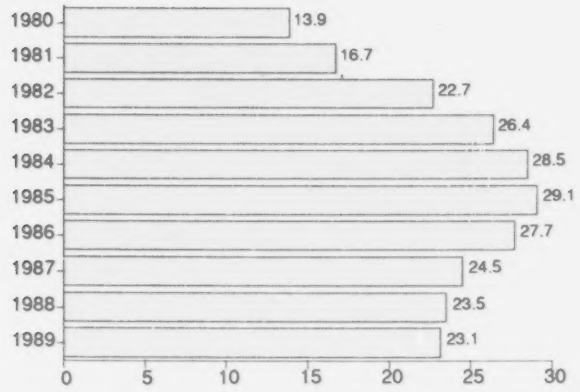
Foreign trade is increasingly important to the technology sector. There is considerable two-way trade within the electronics industry, including export of components for partial assembly overseas, and the import of components and subassemblies for final fabrication in California. The industry no doubt benefits from trade, but at the same time Silicon Valley is not the all-dominant force in world electronics that it was ten years ago.

Indeed, many in the industry are concerned that the U.S. will lose its position, not only in high volume, low priced commodity components, but also in the more sophisticated equipment on which the California industry now focuses. Nonetheless, past efforts to limit imports or divide up markets have done as much or more harm as good to the industry.

California High Technology Employment. 1989
(Percent change)



Defense Prime Contracts to California
U.S. Fiscal Years 1980-1989
($ billions)




California has been experiencing the effects of defense spending cuts for several years. Prime contract awards in California peaked in Federal fiscal year 1985 at $29.1 billion. Last year, contract awards totaled $23.1 billion, down from $23.5 billion in 1988. The state's share of defense contracting rose slightly, to 19.3 percent from 18.7 percent in 1988.

Although there are lags between the contract award and actual manufacturing or research, the state has experienced declining defense related manufacturing employment since 1987. The effects have been cushioned by continued strength in space spending, and by booming demand in the commercial aircraft market. The completion of the B-1 bomber program, and the associated job losses, was fully absorbed in the aircraft industry, which has continued to grow despite weaker defense spending. Missile and space vehicle employment continued to increase through 1988, but declined by slightly over 1 percent last year.

The effects of the defense cutbacks are most visible in the newly defined search and navigation instruments industry. Previously classified as communications equipment, this industry suffered a loss of 10,000 jobs, or 8 percent of its total workforce during 1989.

The electronics sector has experienced mixed trends. Computer manufacturing increased over 2 per-

Table III-1
Manufacturing Employment
(In thousands)

| | *1988* | *1989* | *Percent change* | | *1988* | *1989* | *Percent change* |
|---|---|---|---|---|---|---|---|
| Total | 2,149.2 | 2,164.7 | 0.7 | | | | |
| Nondurable goods | 703.3 | 717.8 | 2.1 | Durable goods | 1,445.9 | 1,447.0 | 0.1 |
| Food products | 175.7 | 180.8 | 2.9 | Lumber and wood | 69.2 | 71.6 | 3.4 |
| Textile products | 16.6 | 16.9 | 1.5 | Furniture-fixtures | 62.0 | 60.5 | −2.4 |
| Apparel | 126.1 | 132.2 | 4.8 | Stone-clay-glass | 54.3 | 56.4 | 3.7 |
| Paper products | 40.7 | 39.6 | −2.7 | Primary metals | 43.7 | 44.3 | 1.4 |
| Printing-publishing | 161.5 | 163.1 | 1.0 | Fabricated metals | 138.7 | 139.2 | 0.3 |
| Chemicals | 73.2 | 73.8 | 0.8 | Industrial mach | 219.3 | 223.3 | 1.8 |
| Petroleum | 27.8 | 29.1 | 4.7 | Electrical equip | 270.4 | 268.6 | −0.6 |
| Rubber-plastics | 75.4 | 76.1 | 1.0 | Transportation equip | 304.0 | 303.9 | 0.0 |
| Leather products | 6.3 | 6.2 | −2.5 | Instruments | 247.7 | 242.1 | −2.2 |
| | | | | Miscellaneous | 36.7 | 37.2 | 1.4 |

Source: California Employment Development Department.
California Department of Finance.

Table III-2
Trade Through California Ports
($ millions)

| | 1987 | 1988 | Percent change |
|---|---|---|---|
| ***Exports*** | | | |
| Office machine parts | $2,974 | $4,164 | 40.0 |
| TV & electronic tubes | 3,439 | 4,160 | 21.0 |
| Aircraft | 2,997 | 4,150 | 38.5 |
| Computers | 2,577 | 3,531 | 37.0 |
| Other instruments | 1,555 | 1,946 | 25.1 |
| Semiconductors | 1,077 | 1,574 | 46.1 |
| Resins | 968 | 1,529 | 58.0 |
| Audio, radio, telephone | 1,308 | 1,507 | 15.2 |
| Cotton | 1,058 | 1,300 | 22.9 |
| Electric power transformers | 822 | 1,062 | 29.2 |
| ***Imports*** | | | |
| Passenger automobiles | 10,946 | 9,574 | −12.5 |
| Office machine parts | 4,621 | 6,442 | 39.4 |
| Semiconductors | 3,971 | 6,021 | 51.6 |
| Apparel | 4,826 | 5,053 | 4.7 |
| Computers | 3,982 | 4,702 | 18.1 |
| Trucks, trailers, campers | 4,072 | 4,203 | 3.2 |
| Audio, radio, telephone | 2,993 | 3,447 | 15.2 |
| VCR, CD, phonos | 2,792 | 3,186 | 14.1 |
| Toys, sporting goods | 2,466 | 2,332 | −5.4 |
| Electric power transformers | 1,717 | 2,214 | 28.9 |
| Footware | 1,904 | 2,117 | 11.2 |
| Batteries & lamps | 1,541 | 1,851 | 20.1 |
| TV & electronic tubes | 1,110 | 1,473 | 32.7 |
| Seafood | 1,141 | 1,294 | 13.4 |
| Television | 1,206 | 1,098 | −9.0 |
| Office machines | 993 | 1,062 | 6.9 |
| Household furniture | 1,013 | 1,035 | 2.2 |

Source: U.S. Department of Commerce
Bureau of the Census

cent last year, reflecting strong business equipment demand. Communications equipment employment rose 4 percent, and measuring and controlling instruments increased 1.4 percent. Electronic components, facing increased foreign competition and a minor inventory cycle, lost about 2,000 jobs, or slightly over 1 percent of its workforce.

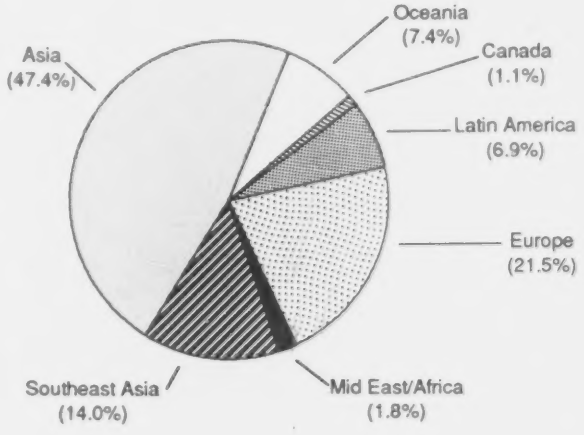
The outlook is for continued modest declines in high technology manufacturing. The drop in search and navigation instruments should moderate this year, although by January 1990, employment was 8,000 fewer than the 1989 average. Missile and space manufacturing should be stable to slightly down, while aircraft will continue to grow, benefitting from the strong commercial market.

Finished electronic goods such as computers, instruments and communications equipment will see some slowing of demand this year as business investment spending is expected to be somewhat less buoyant. Given large productivity gains in these electronics industries, substantial growth in unit output is usually required to obtain increases in employment.

The inventory situation has improved in the components industry, suggesting a stable situation at least through the first half of this year. Nonetheless, with January employment levels 4,000 below last year's average, component jobs will probably be down slightly for the year.

The outlook is somewhat better in 1991, when business spending is expected to pick up. However, given the trend of defense spending, overall high technology employment is likely to be at best flat next year.

Exports from California Ports
By World Region, 1988



**Other Manufacturing.** Gains in apparel, textiles, petroleum and the construction related industries, lumber and stone-clay-glass, offset the weakness in high technology last year. The pattern should be much the same this year, although growth in the traditional industries may not be quite sufficient to produce an overall increase in manufacturing jobs.

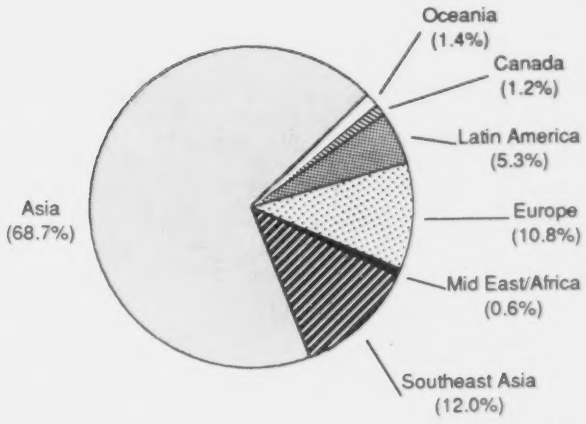
Assuming interest rates decline by early summer, solid gains should be registered by the construction related industries. Apparel is benefitting from the stable dollar and from favorable consumer markets, following the mid-1980s slump in clothing sales. The petroleum industry should also see continued growth. Furniture, which is produced for a national or broad regional market, is suffering from the effects of weak housing activity outside California.

## Foreign Trade

The total value of goods passing through California ports of entry advanced 12 percent to $157.1 billion in 1989. Exports jumped 17.5 percent to $63 billion, while imports were up a moderate 8.7 percent to $94.1 billion. California handles about 17 percent of the nation's exports and almost 20 percent of imports to the U.S.

More complete data for 1988 provide an overview of the commodities handled and California's major trading partners. Not surprisingly, California exports are dominated by high technology goods, including more than $4 billion each of office machine components, electronic components, and aircraft. Computers, other instruments and semiconductors are also important export items for California. Although cotton is the only agricultural product listed, total food and fiber exports exceed $5 billion annually.

Imports into California Ports
By World Region, 1988

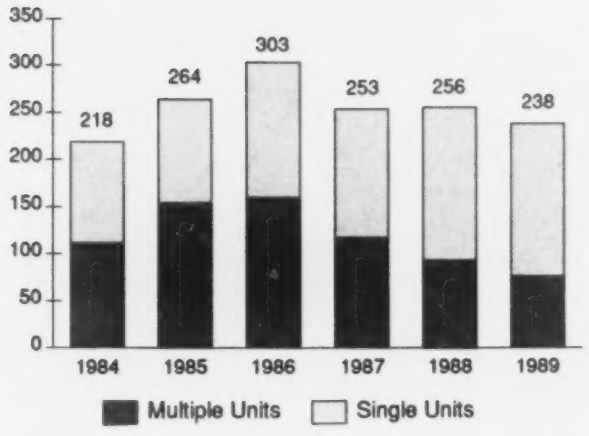



Foreign Trade with Major Trading Partners
1984 and 1988
($ billions)

The state handles much of the nation's trade with Asia and the Pacific Rim. Major imports include passenger cars, trucks, office machines and parts, semiconductors, computers, a wide variety of home entertainment goods, as well as clothing, toys and sporting goods.

Asia, Southeast Asia and Oceania together account for over three-quarters of the goods handled in California. Japan is the largest single source of trade, sending $34.2 billion to California ports in 1988, and receiving $12.8 billion from the state. Taiwan, South Korea, Singapore, Hong Kong, Malaysia and the Philippines are all important Asian trading partners. Exports to many of those countries include U.S. made electronic components, which are assembled into final goods for re-export to the U.S. and other markets.

California Housing Permits
(In thousands)




## Construction

Construction activity has remained vigorous in California last year, contrary to the national trend. Indeed, in the housing sector, the nation experienced near-recession levels of activity, with starts falling to 1,385,000 units, the lowest since 1982. In California, housing permits were down 7 percent, but at 238,000 units where still quite strong by historical standards. Moreover, in California permit activity actually picked up toward the end of the year, averaging more than a 250,000 unit annual rate for the fourth quarter. Last year, the state accounted for 17.7 percent of all new housing authorized in the nation.

Construction employment grew by 7 percent, the largest gain of any major industry sector. The gain reflects not only current year permits and starts, but also activity carried over from prior years. Permit and contract data for 1989 point to some weakening in construction employment this year.

**Residential Construction.** Of the nation's ten leading new housing markets, five are located in California. Los Angeles is the largest in total units, while Riverside-San Bernardino is the leading single family market. Others in the top ten include San Diego, Sacramento and Orange County.

The strength of California homebuilding reflects not only current strong population growth, but also a backlog of demand built up during the 1970s and early 1980s, when construction did not keep pace with growth in the adult population. With one of the lowest homeownership rates in the nation, California can probably support several more years of vigorous single family homebuilding activity, based on unsatisfied demand.

As always, however, interest rates will play a key role in the near term outlook. At the current level of interest rates, neither fixed rate or adjustable mortgages are particularly attractive to potential buyers. Because the single family market is targeted mainly to "move-up" buyers—older baby boomers who already have made the first home purchase—the market is quite discretionary. Assuming interest rates decline, single family homebuilding activity should remain near the 160,000 unit level this year.

In the apartment market, vacancy rates remain high, reflecting the declining number of young adults in the population. Under these circumstances, multi-family construction is likely to closely approximate the recent 75,000 unit level this year and next. Total units are forecast to remain in the 235,000 to 240,000 range over the next two years.

**Nonresidential Building.** According to the Construction Industry Research Board, nonresidential construction was somewhat weaker last year, with permit value and new government building down 4 per-

Table III-3
Permits Issued for New Housing Units
California Metropolitan Areas, 1989

| Area (county) | Single family units | | Multi-family units | | Total housing units | |
|---|---|---|---|---|---|---|
| | Number | Percent change | Number | Percent change | Number | Percent change |
| Los Angeles (Los Angeles) | 23,718 | 31.6 | 24,685 | −24.0 | 48,403 | −4.1 |
| Riverside-San Bernardino [a] | 38,231 | −13.5 | 7,426 | −27.4 | 45,657 | −16.1 |
| Sacramento [b] | 16,620 | 17.9 | 4,183 | −10.0 | 20,803 | 11.0 |
| San Diego (San Diego) | 10,951 | −25.8 | 7,795 | −43.5 | 18,746 | −34.3 |
| Anaheim (Orange) | 8,032 | −30.2 | 8,576 | −28.2 | 16,608 | −29.2 |
| Oakland (Alameda, Contra Costa) | 8,553 | −8.0 | 5,223 | −2.6 | 13,776 | −6.0 |
| Vallejo (Napa, Solano) | 6,284 | 15.7 | 915 | 10.1 | 7,199 | 15.0 |
| Fresno (Fresno) | 4,835 | 49.0 | 2,264 | 154.7 | 7,099 | 71.7 |
| Modesto (Stanislaus) | 5,094 | 16.2 | 1,195 | 92.1 | 6,289 | 25.6 |
| San Francisco [c] | 2,116 | −18.3 | 3,226 | 2.8 | 5,342 | −6.7 |
| Oxnard (Ventura) | 3,351 | −8.8 | 1,694 | 14.5 | 5,045 | −2.1 |
| San Jose (Santa Clara) | 2,567 | −30.2 | 2,141 | −23.2 | 4,708 | −27.2 |
| Santa Rosa (Sonoma) | 3,705 | −3.9 | 882 | 7.8 | 4,587 | −1.9 |
| Bakersfield (Kern) | 3,935 | 37.4 | 385 | 31.0 | 4,320 | 36.8 |
| Stockton (San Joaquin) | 3,758 | 12.0 | 291 | −33.6 | 4,049 | 6.8 |
| Salinas (Monterey) | 1,815 | 67.4 | 416 | 4.5 | 2,231 | 50.5 |
| Visalia (Tulare) | 1,533 | 18.1 | 476 | 113.5 | 2,009 | 32.1 |
| Chico (Butte) | 1,484 | 24.1 | 468 | 185.4 | 1,952 | 43.5 |
| Merced (Merced) | 1,596 | 67.1 | 107 | −72.3 | 1,703 | 27.0 |
| Redding (Shasta) | 1,332 | 17.9 | 284 | 53.5 | 1,616 | 22.9 |
| Santa Barbara (Santa Barbara) | 1,385 | 14.5 | 158 | −39.2 | 1,543 | 5.0 |
| Santa Cruz (Santa Cruz) | 726 | −12.1 | 241 | −20.2 | 967 | −14.3 |
| Yuba City (Sutter, Yuba) | 701 | 101.4 | 158 | −17.3 | 859 | 59.4 |
| Remainder of State | 10,280 | 12.1 | 1,846 | 20.8 | 12,126 | 13.3 |
| Total | 162,602 | 0.3 | 75,035 | −19.7 | 237,637 | −7.0 |

[a] Riverside, San Bernardino [b] Eldorado, Placer, Sacramento, Yolo [c] Marin, San Francisco, San Mateo
Source: Construction Industry Research Board

cent to $13.6 billion. Heavy nonbuilding construction, including highways, water and sewerage facilities, and utility plants was off 10 percent to $4.6 billion. Residential values increased 5 percent, reflecting the shift to larger single family homes and a near 20 percent jump in alterations and additions. In total, construction values were essentially unchanged last year at $46 billion, using the CIRB data.

Public school construction was the only really strong major nonresidential category last year, with contract values up 22 percent to $1.2 billion. Commercial office permit values rose 3-1/2 percent to $2.8 billion. However, office vacancy rates remain quite high in most markets and it is doubtful that this sector will see continued growth in 1990 and 1991.

Stores, hotels, amusement facilities and industrial construction all posted declines in 1989. It is unlikely that any of these will rebound this year. Hotel occupancy rates are less than satisfactory, reflecting past strong construction activity. California's retail market is stronger than most, but the industry is not in a position to undertake a major expansion at this time.

School bond funds are nearly exhausted, and further activity will await voter decisions on statewide bond issues in June and November. Demographic forces point to rising school enrollments at the elementary and secondary levels for the next several years.

**Heavy Construction.** June's Proposition 111 will hold the key to the outlook for heavy construction over the next few years. If approved by voters, the State highway construction program will continue and even expand in the 1990s. A rejection will sharply curtail activity, mainly to maintenance and repairs, with new

Table III-4
Nonresidential Building Permit Value
California Metropolitan Areas, 1989
**($ millions)**

| *Area (County)* | *Value* | *Percent change* |
|---|---|---|
| Los Angeles (Los Angeles) | $4,475.6 | −4.8 |
| Anaheim (Orange) | 1,525.7 | −4.9 |
| Riverside-San Bernardino ([a]) | 1,447.0 | 8.3 |
| San Diego (San Diego) | 1,241.1 | 3.2 |
| Oakland (Alameda, Contra Costa) | 792.1 | 12.2 |
| San Jose (Santa Clara) | 760.6 | 6.7 |
| Sacramento ([b]) | 678.2 | −18.8 |
| San Francisco ([c]) | 664.1 | −23.4 |
| Oxnard (Ventura) | 246.3 | −6.7 |
| Vallejo (Napa, Sonoma) | 200.7 | 41.5 |
| Fresno (Fresno) | 192.1 | −22.6 |
| Bakersfield (Kern) | 184.3 | −17.4 |
| Stockton (San Joaquin) | 153.3 | −19.4 |
| Modesto (Stanislaus) | 119.6 | 23.5 |
| Santa Barbara (Santa Barbara) | 112.5 | 12.2 |
| Santa Rosa (Sonoma) | 104.9 | −6.5 |
| Visalia (Tulare) | 87.7 | 111.7 |
| Salinas (Monterey) | 81.7 | 4.9 |
| Santa Cruz (Santa Cruz) | 76.8 | 35.4 |
| Redding (Shasta) | 61.2 | 41.1 |
| Yuba City (Sutter, Yuba) | 52.0 | 34.7 |
| Merced (Merced) | 42.5 | −10.5 |
| Chico (Butte) | 41.7 | −32.8 |
| Remainder of State | 297.3 | −34.2 |
| Total | 13,639.2 | −3.7 |

[a] Riverside, San Bernardino
[b] El Dorado, Placer, Sacramento, Yolo
[c] Marin, San Francisco, San Mateo
Source: Construction Industry Research Board

construction limited to projects underwritten by local sales tax funds.

Proposition 111 provides for a 9 cent a gallon increase in the gasoline tax over five years, and increases in commercial truck weight fees. Like most states, California funds highway improvements primarily from its motor fuel tax, assessed on a per gallon basis. Although the number of vehicles and miles driven have increased dramatically in recent years, improved fuel efficiency has resulted in lagging tax revenues.

Table III-7 outlines proposed spending by county. The first column represents projects currently approved in the State Transportation Improvement Plan (STIP) which would be completed if 111 passes. The second column represents projects to be considered beyond the current STIP. Not all of these can be funded, even if 111 passes. The ballot measure is necessary, because additional revenues could not be raised without exceeding the State's constitutional spending limit. The Proposition exempts capital expenditures from the limit, and also modifies the limit calculation to allow spending to increase in line with total personal income. Currently, spending growth is limited to the lower of personal income or inflation times population growth.

Also on the ballot will be a rail bond issue, which will help fund construction of the Los Angeles Metro, BART improvements, rail commute services along the San Diego-Los Angeles corridor and the San Francisco Peninsula, as well as possibly establishing service between Sacramento and the Bay Area.

Given the outlook for the major segments of new building, employment growth is likely to slow over the next two years, as projects currently under construction are completed.

## Mining

Petroleum and natural gas extraction accounts for about three quarters of the 40,000 workers in California's mining industry. California is the nation's fourth leading oil producer of oil. However, reflecting generally low (albeit rising) prices, oil and natural gas production hit a nine year low in 1989. Employment in the oil and gas industry fell more than 5 percent to 31,300 last year.

Nonmetallic mining is mainly construction materials, such as sand, gravel and rock. Metallic mining includes industrial minerals and precious metals such as gold. Together, employment in these two industry sectors was unchanged last year at 8,900.

A more complete review of California energy and mineral production is included in Chapter V on Resource Industries.

Table III-5
Nonresidential Construction Activity
By Type of Project
**($ millions)**

| | *1988* | *Percent change* | *1989* | *Percent change* |
|---|---|---|---|---|
| Commercial | $6,569 | 15.5 | $6,118 | −6.9 |
| Office bldgs | 2,750 | 22.9 | 2,838 | 3.2 |
| Stores/Mercantile | 2,309 | 7.0 | 2,018 | −12.6 |
| Hotel/Motel | 671 | 12.8 | 556 | −17.2 |
| Amuse/Recreation | 217 | −7.6 | 192 | −11.2 |
| Parking garages | 560 | 39.5 | 438 | −21.7 |
| Service stations | 63 | 1.5 | 76 | 21.0 |
| Industrial | 1,802 | −0.1 | 1,692 | −6.1 |
| Other | 1,769 | 1.3 | 1,547 | −12.6 |
| Alts/Additions | 4,021 | 9.7 | 4,282 | 6.5 |
| Total nonresidential | 14,160 | 9.8 | 13,639 | −3.7 |

Source: Construction Industry Research Board.

Table III-6
Mining Employment
**(In thousands)**

| | *1987* | *1988* | *1989* |
|---|---|---|---|
| Total | 41.0 | 42.0 | 40.2 |
| Metal mining | 2.1 | 2.1 | 2.3 |
| Fuel extraction | 32.2 | 33.0 | 31.3 |
| Nonmetallic mining | 6.7 | 6.8 | 6.6 |

Source: California Employment Development Department.
California Department of Finance.

Table III-7
Transportation Projects to be Funded by Proposition 111
($ thousands)

| County | Project completions | Potential projects | County | Project completions | Potential projects |
|---|---|---|---|---|---|
| California | $4,492,217 | $8,633,470 | | | |
| Alameda | 211,600 | 273,700 | Orange | 362,000 | 640,360 |
| Alpine | 1,600 | — | Placer | 24,000 | 100,000 |
| Amador | 11,100 | 36,100 | Plumas | 13,500 | 23,400 |
| Butte | 2,000 | 98,000 | Riverside | 261,300 | 465,400 |
| Calaveras | 4,200 | 8,100 | Sacramento | 24,100 | 75,000 |
| Colusa | 9,000 | 14,000 | San Benito | 21,200 | 11,000 |
| Contra Costa | 462,200 | 58,300 | San Bernardino | 199,900 | 857,300 |
| Del Norte | 25,000 | 47,000 | San Diego | 225,700 | 603,000 |
| El Dorado | 17,000 | 72,000 | San Francisco | 11,600 | 110,400 |
| Fresno | 62,000 | 146,590 | San Joaquin | 21,400 | 55,500 |
| Glenn | 7,000 | 2,000 | San Luis Obispo | 25,600 | 71,000 |
| Humboldt | 74,000 | 49,000 | San Mateo | 79,275 | 103,700 |
| Imperial | 58,800 | 80,000 | Santa Barbara | 52,700 | 59,000 |
| Inyo | 37,400 | 55,100 | Santa Clara | 95,300 | 110,100 |
| Kern | 98,400 | 214,880 | Santa Cruz | 6,200 | 14,900 |
| Kings | 3,400 | 23,640 | Shasta | 27,000 | 101,400 |
| Lake | 42,000 | 41,000 | Sierra | 1,000 | 12,000 |
| Lassen | 15,300 | 100,800 | Siskiyou | 14,300 | 33,600 |
| Los Angeles | 1,344,200 | 2,585,700 | Solano | 83,000 | 60,600 |
| Madera | 600 | 58,930 | Sonoma | 45,600 | 53,200 |
| Marin | 7,600 | 13,600 | Stanislaus | 15,800 | 18,000 |
| Mariposa | — | — | Sutter | 2,000 | 26,000 |
| Mendocino | 78,000 | 120,000 | Tehama | 10,800 | 20,000 |
| Merced | 57,700 | 84,400 | Trinity | 9,942 | 17,400 |
| Modoc | 11,000 | 14,900 | Tulare | 15,000 | 97,070 |
| Mono | 24,700 | 57,000 | Tuolumne | — | 27,400 |
| Monterey | 36,500 | 140,000 | Ventura | 104,900 | 310,100 |
| Napa | 5,800 | 12,900 | Yolo | 5,000 | 55,000 |
| Nevada | 14,000 | 69,000 | Yuba | 12,000 | 25,000 |

Source: California Department of Transportation

# IV. Service Producing Industries

In December, 1989 employment in California's service producing industries passed the 10 million mark for the first time. These industries include transportation and utilities; finance, insurance and real estate; wholesale and retail trade; services and government. Employment growth last year amounted to over 400,000, representing more than four out of five new jobs in the state.

## Finance, Insurance and Real Estate

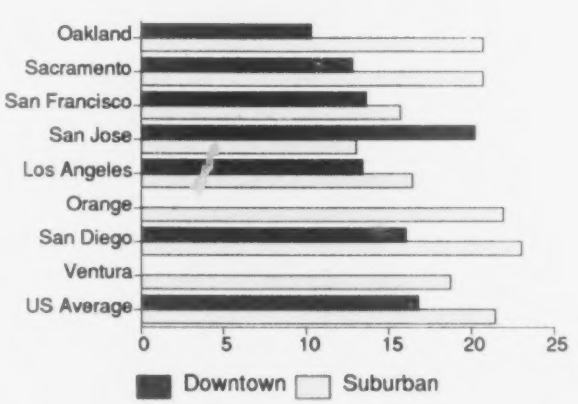
For the financial sector, the 1980s were interesting times, and 1989 was no exception. Residential real estate prices—and sales volumes—began to cool in coastal markets, but inland areas continued to boom. The State Supreme Court interpreted a key provision of Proposition 103, ruling that the insurance industry is entitled to a reasonable rate of return on equity. Following passage of the thrift industry bailout bill, more insolvent savings and loans were taken over by Federal regulators. A few California banking companies experienced difficulties in their out-of-state subsidiaries, but within the state, banking was again a growing and profitable industry.

**Real Estate.** For the first time in six years, the number of existing homes sold in California declined during 1989, dropping 4 percent to 539,000 units according to the California Association of *Realtors*. The trend across the year was down, with peak activity reached in the first quarter. During the final three months of the year, sales were at an annual rate of 517,000. Home prices continued to increase, but at a moderating pace. For the most part, the slower rise in prices reflected a changing mix of sales, favoring lower cost inland areas, smaller units and a larger proportion of condominiums. The median price for the entire year of $196,500 was up 16-1/2 percent over the 1988 figure. The December median of $188,500 was below the year average and up a moderate 6.3 percent from the comparable 1988 level. However, to emphasize the contribution of geographic mix, prices rose in all areas and single digit increases were evident in only three—Orange, Santa Barbara and Ventura counties—of the 14 areas covered by the *Realtors'* report.

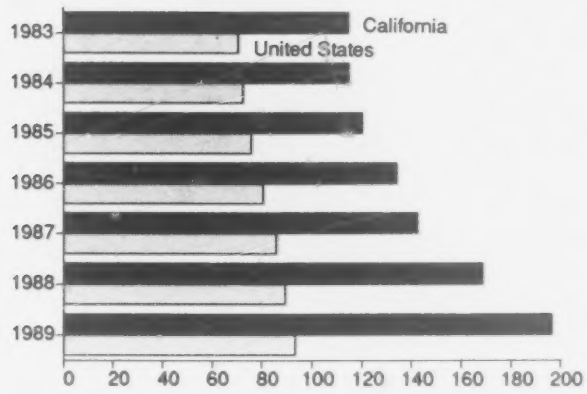
In the nonresidential market, most office vacancy rates moved down modestly, but remained high by all but recent standards. When compared to, say, 1980, office vacancy rates have doubled or tripled in most markets, in California and nationwide. Because office construction has continued at a relatively high level, it may be some years before the office market returns to a more traditional balance.

Several forces affected the residential market during 1989. The booming increase in home prices clearly could not be sustained by market fundamentals, including the ability of buyers to afford many of the units offered for sale. The last time the

Office Vacancy Rates
December 1989
(Percent)



Median Sales Price
Existing Single Family Homes
($ thousands)




California market saw the 20 to 30 percent price increases reported in many coastal areas early this year and in 1988 was during the inflationary surge of the late 1970s. On that occasion, an underlying inflation rate in double digits strongly favored ownership of "real" or non-financial assets, a position re-enforced by the ability to lock in housing costs with an assumable fixed rate mortgage. Neither the underlying inflation rate or the mortgage market was that favorable in 1988-89.

Problems in the savings and loan industry may also have contributed to the downturn in sales activity, certainly to the extent that management and regulatory concerns over profitability prompted most lenders to moderate their offerings of low initial "teaser" rates on adjustable mortgages. Longer term interest rates declined somewhat during the latter months of 1989, but not sufficiently to replace the "teasers".

It is generally true that excessive price increases are first reflected in slower sales volumes. Many sellers may be unwilling to accept that the market will no longer support large price increases. Rather than cut the price, some will withdraw from the market, while others will persist for many months, often closing a sale by accepting concessions not reflected in the actual dollar price. These concessions may include paying a larger share of the closing costs, or agreeing to perform some repair work that in a "hotter" market might be left for the new buyer.

Some analysts have tried to compare the late 1989 California market to the declining price markets in the Northeast and Southwest. There are, however, several important differences to note. Employment and population in California continue to grow vigorously. While it is true that demographic trends point to a less urgent, more discretionary home buyer, it should also be noted that California's homeownership rate is among the lowest in the nation, implying unmet demand for single family units. These factors suggest that home prices will probably continue to rise, at least in line with inflation.

**Common Interest Developments.** With a limited supply of land in the large coastal metropolitan areas, affordability is a major prob-

Table IV-1
Median Existing Home Sales Price

| *Region* | *December 1989* | *Percent change 1988–89* |
|---|---|---|
| California | $188,477 | 6.3 |
| San Francisco | 257,535 | 10.1 |
| Santa Barbara | 257,273 | 4.5 |
| Orange County | 248,664 | 7.1 |
| Ventura | 244,885 | 4.3 |
| Monterey | 232,352 | 16.6 |
| Los Angeles | 216,314 | 12.6 |
| San Diego | 175,669 | 12.1 |
| Northern Wine Country | 170,416 | 23.7 |
| Riverside/San Bernardino | 125,488 | 10.2 |
| Sacramento | 123,064 | 22.6 |
| Palm Springs/Lower Desert | 114,210 | 11.4 |
| Central Valley | 104,979 | 17.5 |
| High Desert | 100,750 | 16.3 |
| Northern California | 84,565 | 14.0 |

Source: California Association of Realtors.

lem in the market. In addition, in the wake of Proposition 13, many local governments have been reluctant to approve traditional new subdivisions, having no means to pay for the required public infrastructure improvements, or the ongoing costs of maintaining them. As a result, most local governments now require housing developers to establish some form of common interest development (CID).

Commonly known as condominiums or planned unit developments, these subdivisions share three essential characteristics: shared ownership of private residential property (so called "common areas"); mandatory membership of all owners in an association; and governing documents which establish the rules which owners must follow in the use of individual and common property, and means by which owners are assessed to finance the operation of the association and maintain common property. In these arrangements, responsibility for maintaining the infrastructure falls on the homeowners within the subdivision. The accompanying chart compares the volume of "traditional" versus CID subdivision reports issued over the last six years. CIDs are now by far the most common form of subdivision in California.

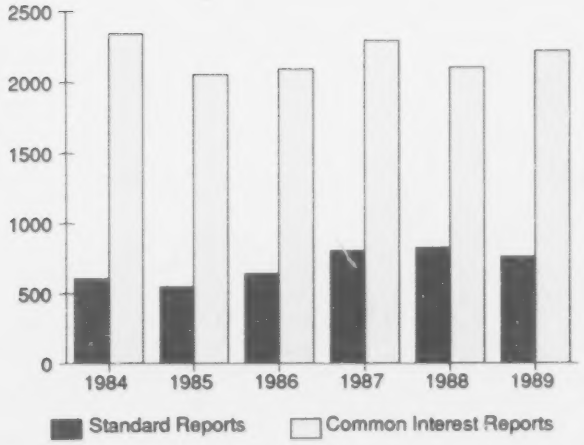
In addition to helping finance infrastructure maintenance and improvements, land use within CIDs is generally more efficient, as many CID residences are attached, semi-detached or zero lot line units in which setback requirements on a side, front or rear are waived. Some CID units are traditional detached homes, but lot size is often smaller than in traditional subdivisions. For comparably priced units, CID owners generally face higher monthly outlays when association fees are included.

However, given the more efficient use of land, the initial price of comparably sized CID units may be less than a traditional detached home, reflecting the smaller land component. Moreover, CID owners may receive additional value from their association fees, including exterior maintenance and common recreational facilities.

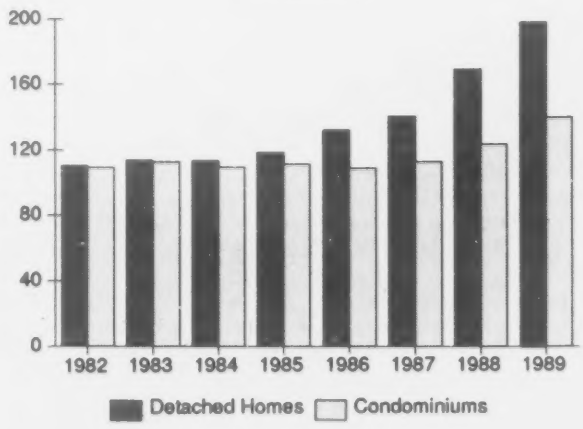
In the existing home market, prices of CIDs and traditional detached units were generally comparable through the mid-1980s. This probably reflected the relatively newer stock of CID units offered for sale. The home price explosion of 1987 to 1989 was mainly in the market for detached homes, and by 1989 a wide gap had opened between CIDs and traditional houses. Last year, the median sales price of CID type units was $139,000 compared to 198,000 for detached units, a difference of more than 30 percent.

During 1989, however, the market's focus appeared to shift. While sales of attached units slowed and unsold inventories began to rise, the pace of CID sales quickened, inventories fell and price increases escalated. One price indicator which points to further strength in the CID market: the average discount between asking and selling prices fell from nearly 5 percent in 1986 to only 1.4 percent last year. The median time on the market was less for CIDs than for detached homes, and the unsold inventory was also lower than for detached homes for the first time in many years.

Subdivision Reports Issued




Median Price of Existing
Detached Homes and Condominiums
($ thousands)



Even given some strengthening in prices, CIDs provide a lower cost alternative for homeownership, while allowing a means to finance the infrastructure costs of a growing housing stock within the constraints of Proposition 13. The subdivision data strongly suggest that for the next several years at least, the vast majority of new homes built in California will be within a common interest development.

**Insurance.** During 1989, the insurance industry began to deal with the effects of Proposition 103, the voter approved initiative which will alter substantially the industry's operations in California.

In the wake of the passage of this measure, the State Supreme Court ruled, on constitutional grounds, that insurance companies are entitled to a reasonable rate of return. Many of the other provisions of the measure, including the rating criteria and final review by the Insurance Commissioner, are still being resolved. As a result, 1989 can be viewed as a period of transition for the industry.

It is expected that many of these issues will be resolved in 1990 and that the insurance industry will continue to view California as a desirable and competitive environment in which to do business.

**Finance.** The passage of the savings and loan industry bill (FIRREA —Financial Institutions Reform, Recovery and Enforcement Act), triggered the industry restructuring process in earnest. California has seen its share of regulatory takeovers, and as many as seven more major thrifts may be in line for Federal seizure. Problems in California's savings and loan industry have not been do to a weak economy or falling real estate prices. Quite the opposite, California real estate prices appreciated substantially in the latter half of the decade at a time when California's economy was probably the most vigorous in the nation. The recurring theme in California thrift problems is one of poor judgement and lack of sophistication in the management of the institutions.

Table IV-2
Vacancy Rates for Office Buildings
(as of December)

| | *1986* | *1987* | *1988* | *1989* |
|---|---|---|---|---|
| United States average.. | 21.5 | 20.7 | 19.7 | 20.0 |
| Downtown | 16.4 | 16.3 | 16.2 | 16.7 |
| Suburban | 23.8 | 22.8 | 21.5 | 21.4 |
| Los Angeles | 17.3 | 16.8 | 15.4 | 15.9 |
| Downtown | 15.0 | 13.2 | 13.5 | 13.4 |
| Suburban | 17.3 | 17.7 | 15.9 | 16.4 |
| Orange County | 23.3 | 21.3 | 22.5 | 21.9 |
| San Diego | 23.6 | 23.0 | 21.2 | 21.5 |
| Downtown | 17.0 | 12.8 | 10.1 | 16.0 |
| Suburban | 27.3 | 27.7 | 23.8 | 23.0 |
| Ventura County | n.a. | 18.5 | 15.0 | 18.7 |
| San Francisco | 19.4 | 16.3 | 15.3 | 14.5 |
| Downtown | 18.1 | 13.8 | 13.2 | 13.6 |
| Suburban | 21.4 | 19.7 | 18.4 | 15.7 |
| Oakland-East Bay | 28.3 | 25.0 | 22.4 | 18.5 |
| Downtown | 19.1 | 16.6 | 18.7 | 10.3 |
| Suburban | 31.4 | 27.6 | 23.4 | 20.7 |
| San Jose | 26.6 | 24.9 | 16.8 | 14.6 |
| Downtown | 18.9 | 26.1 | 20.1 | 20.2 |
| Suburban | 28.2 | 24.6 | 15.9 | 13.0 |
| Sacramento | 21.3 | 19.6 | 15.4 | 18.8 |
| Downtown | 11.3 | 12.6 | 5.7 | 12.8 |
| Suburban | 24.8 | 22.0 | 18.4 | 20.7 |

n.a. Not available
Source: Coldwell Banker.

The successful thrifts—and California still has the largest and strongest of them—stuck for the most part to traditional mortgage lending, making maximum use of adjustable rate loans. Most of these successful institutions would rather convert to a commercial banking charter, but such conversion is prohibited by the bailout legislation.

The shrinkage of the California thrift industry—and the disruption to the mortgage lending market—is clearly visible in the savings and loans statistics. Mortgage loan originations fell $19 billion, almost 20 percent, during 1989, the largest dollar decline and second biggest percentage drop on record. There was a record net savings outflow of over $19 billion during the year, and total savings, including interest credited, dropped $4 billion—only the second such decline on record.

The savings and loan restructuring has been painful for the industry and its customers. The surviving thrifts will be stronger—they will have to meet the same capital adequacy requirements as banks—and most will eventually be permitted to convert to a commercial banking charter.

The argument for sustaining a specialized housing oriented depository industry has faded in recent years. The major source of housing credit is now the secondary mortgage market, and the most common way for individuals to tap this source is

through a mortgage banker. These intermediaries originate loans and sell them quickly into the secondary market. They do not require an extensive, labor intensive branch system to accept deposits, since their funding needs—all short term—are met from bank loans and commercial paper. Mortgage bankers originated 60 percent of the new fixed rate loans in California last year, compared to 26 percent for savings and loans and 11 percent for commercial banks.

Commercial banks are also confronting regulatory change, but not on the scale of the thrift industry. The adoption of new capital adequacy standards is inhibiting loan growth to some degree, although domestic loans at California banks grew a healthy 15 percent or $26 billion last year. Most of the growth was accounted for by real estate lending, which jumped $22 billion or 28 percent to $100 billion at year end. Purchase mortgage data—which show little increase in banks' share of new mortgage loans—suggest that much of this gain was in home equity lending. In addition there was some restructuring of out-of-state subsidiaries which may have affected loan figures for the larger and stronger California banks. Consumer loans increased only $1.2 billion or 4 percent during the year. Both tax laws and interest rates favor home equity loans over traditional forms of consumer credit. Commercial and lending rose about 3 percent, while farm credit was off slightly. International loans continued to decline.

Banks probably accounted for most of the gain in depository institution employment last year, reversing the 1988 decline. Saturday hours and increased use of part time personnel were major factors in the employment rise.

**Outlook.** Real estate sales volume is likely to remain soft through much of 1990, reflecting past price increases and sluggish movements in mortgage interest rates. There is already some indication that employment in the industry will stabilize in 1990, after several years of rapid growth.

In the insurance industry, it may be another year or two before Proposition 103 is fully implemented. November will see the first popular election of an Insurance Commissioner, and there will no doubt be further court challenges to the proposition or its implementation. For now at least California insurance markets seem to be functioning fairly smoothly.

The thrift industry will continue to shrink in 1990, but by year end, most regulatory takeovers should be completed. The task of disposing of the seized thrifts—and their assets—has only just begun.

For the most part, California's banking industry begins the new decade on a solid footing, with most of the foreign and real estate lending problems at least provided for in the loan loss reserves. A few large banks are actively acquiring smaller ones, to fill geographic gaps in the branch system. Concerns over the effects of interstate banking have all but faded, although a major acquisition or merger cannot be ruled out.

## Transportation and Utilities

Employment patterns in this private "infrastructure" industry are quite divergent. The utilities, under a new regulatory framework, are boosting productivity and shrinking their workforces. Most transportation industries, in particular the airlines, are exhibiting fairly rapid growth.

**The Utilities.** Communications industry employment fell 1.5 percent last year, following a 3 percent drop in 1988. With communications demand rising a steady 6 percent annually in real terms, the employment declines imply huge productivity gains for the industry. The State Public Utilities Commission and the major telephone carriers have agreed to a new rate structure, in which the companies will hold basic rate increases to 3 percent less than inflation. Profits from regulated activities in excess of a specified return on investment will shared between the ratepayers and shareholders. Such a structure will continue to dictate gains in productivity and efficiency in the telecommunications industry.

Although the energy utilities have not moved as far toward incentive based rate setting, competitive developments in the industrial sector are putting pressure on electric

Table IV-3
Employment Growth in
Finance-Insurance-Real Estate
(In thousands)

| | *1989* | *Percent change* |
|---|---|---|
| Total | 835.0 | 3.4 |
| Finance | 401.8 | 1.8 |
| Insurance carriers, agents and brokers | 228.1 | 2.8 |
| Real estate | 205.0 | 7.7 |

Source: California Department of Finance.

and gas industry costs. Employment in electric and gas utilities fell 0.7 percent during 1989.

**Transportation.** Transportation industry employment increased more than 5 percent last year, including a 9 percent increase in air transport and almost 4 percent in trucking. The gain in the airlines industry reflected strong growth in traffic through much of 1989. Recently, competition on intra-state routes has intensified, with the entry of a new carrier on several routes and a sharp increase in frequency on the part on an existing major airline in the Los Angeles-San Francisco corridor.

It is doubtful, however, that airline employment will maintain last year's rapid growth. This, coupled with continued declines in utility employment, suggests some slowdown in overall transportation and utility sector employment gains in 1990.

Table IV-4
Services Employment
(In thousands)

| | *1988* | *1989* | *Percent change* |
|---|---|---|---|
| Total Services | 3,104.1 | 3,297.7 | 6.2 |
| Hotels and motels | 181.3 | 191.6 | 5.7 |
| Personal services | 116.0 | 119.2 | 2.8 |
| Business services | 658.8 | 708.9 | 7.6 |
| Auto, other repair | 172.9 | 182.1 | 5.3 |
| Motion pictures | 98.5 | 109.1 | 10.8 |
| Recreation | 135.7 | 147.7 | 8.9 |
| Health services | 722.8 | 748.7 | 3.6 |
| Private education | 164.5 | 174.0 | 5.8 |
| Engr/mgt consult | 344.5 | 375.1 | 8.9 |
| Other services | 509.3 | 541.4 | 6.3 |

Source: California Employment Development Department.
California Department of Finance.

## Services

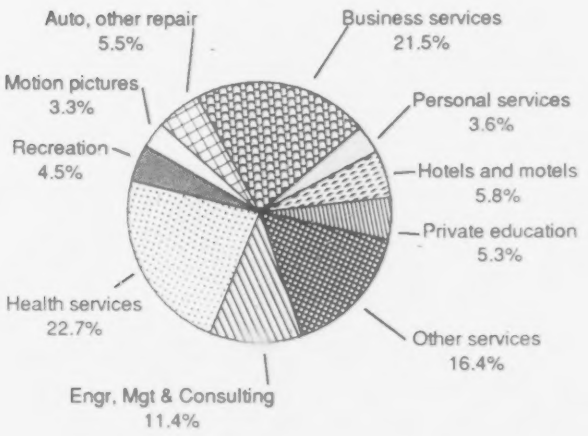
Services comprise California's largest major industry group. The sector blankets a wide variety of activities, including hotels; amusements and recreation; motion picture production and distribution; auto and other repairs; personal services; business services and the related engineering, accounting, management and consulting services; private education and health services. Included under "other services" are such diverse industries as lawyers, museums, membership organizations and social services.

Industry definitions within services were substantially affected by the 1987 SIC revisions. An entire "new" industry— engineering, accounting, management and consulting services—was carved out of business services and "other" services. Health clubs were moved from personal services to amusement and recreation. Credit reporting agencies are now classified as business rather than personal services. Video rental shops, formerly in business services, are now included in motion pictures. Comparable data prior to 1988 have not been estimated. Revised national figures on the new SIC coding system will be released before mid year.

Nationally, health care services have been the fastest growing service industry in recent years. But this is not true in California. Health services employment has been rising 3 to 3-1/2 percent annually in the last two years, about half as much as the sector as a whole.

Last year, motion pictures were the fastest growing service industry, with employment up almost 11 per-

Service Employment by Type, 1989



cent, reflecting the rebound from the 1988 writers' strike. For the first time, this industry included video tape rental shops, previously classified under business services.

The engineering, accounting, management and consulting services industry was the second fastest growing service industry, with employment up almost 9 percent. As the title implies, this industry is comprised mostly of professionals, and average wages are above the all industry average.

Amusement and recreation services also posted a near 9 percent increase last year. This industry includes amusement parks, ski facilities, and health clubs and spas.

Business services grew more than 7-1/2 percent last year. The largest segment of this industry is temporary help, but the fastest growing is computer software and systems consulting. The latter are considered export industries—because they bring income from outside the state—and are closely allied with computer manufacturing.

Services growth is expected to moderate slightly in 1990, but still post a healthy 5 percent advance. Hotels, which have evidenced rapid growth in recent years, will slow as the lodging construction boom has come to an end. Temporary help agencies in business services are also expected to show somewhat slower gains this year.

## Travel and Tourism

The "travel industry" is scattered throughout the service producing sectors of the economy, including hotels, air transportation, and retail trade—especially restaurants, but also a variety of department and specialty stores. The travel "impacts" discussed below include only primary spending by travelers. No multiplier effects are included. However, when gauging the effect of travel spending on the state's economy, it should be kept in mind that about two-thirds of the travelers and more than half of the spending is associated with Californians traveling within the state.

During 1988, foreign, domestic, and resident travelers spent an estimated $39.9 billion while on business or pleasure trips in California. This represented a 12.9 percent increase over 1987. Of the total, $31.5 billion was spent for lodging, food, entertainment, ground transportation (car rentals, taxis, public transportation) and merchandise. $7.5 billion went for air transportation, and $948 million for travel arrangements.

Total travel-related employment grew 4.0 percent in 1988 to 588,081 and the associated payroll was up 11.3 percent to $8.9 billion. State tax receipts arising from travel expenditures were estimated at $1.4 billion for 1988. Local revenues, which include travel occupancy tax receipts and a portion of the sales tax, were an estimated $789 million. Not included in resident travel within California is commuting or other periodic travel.

Regionally, the San Francisco Bay Area (Alameda, Contra Costa, San Mateo, Santa Clara, Santa Cruz and San Francisco counties) generated the largest amount of travel expenditures. An estimated $12.1 billion was spent in this area during 1988, $3.2 billion of which was for air

Table IV-5
California Total Travel Impacts
By Type of Business, 1988
**($ thousands)**

| *Type of Business* | *Travel Expenditures* | *Payroll* | *Employment* | *Tax Receipts* | |
|---|---|---|---|---|---|
| | | | | *Local* | *State* |
| Accommodations | $5,323,104 | $1,346,849 | 108,342 | $454,067 | $50,094 |
| Eating, drinking | 9,614,566 | 2,355,293 | 227,457 | 147,515 | 515,746 |
| Food stores | 1,416,802 | 152,329 | 8,959 | 21,248 | 69,541 |
| Ground transport | 2,900,075 | 403,232 | 24,360 | 22,638 | 163,367 |
| Recreation | 3,563,820 | 897,681 | 58,916 | 10,885 | 33,529 |
| Retail sales | 8,637,281 | 981,811 | 71,913 | 132,894 | 425,539 |
| Air travel | 7,536,804 | 2,230,907 | 61,145 | 0 | 81,835 |
| Travel arrangements | 947,852 | 500,477 | 26,990 | 0 | 17,549 |
| Total | $39,940,303 | $8,868,578 | 588,081 | $789,246 | $1,357,200 |

Source: California Department of Commerce
Dean Runyan Associates

travel. Los Angeles County, which received $3.5 billion for air travel, was second with a total of $9.9 billion.

San Diego County placed third at $4.8 billion. These three regions together accounted for nearly 95 percent of air travel and travel arrangement expenditures, and over 65 percent of the total.

Excluding air travel and arrangements, growth in travel expenditures was strongest in the rural areas. Expenditures in the North Coast region, which includes the California wine country, grew 31.1 percent in 1988. The High Sierra region had an increase of 24.3 percent, and the Shasta-Cascade region posted a rise of 21.8 percent. The most recent travel survey reports economic impacts on regional rather than individual county basis.

The retail trade and service sectors continue to be major beneficiaries of travel. In 1988, travelers spent $9.6 billion at eating and drinking places and another $8.6 billion buying personal items and gifts. Purchases at food stores were $1.4 billion. Hotels and other lodging places, including campsites, received $5.3 billion in 1988, and travelers spent $3.6 billion for amusement and recreation.

Table IV-6
California Travel Expenditures
Excluding Air Transportation and Travel Arrangements
1987 and 1988
**($ thousands)**

| *Region* | *1987* | *1988* | *Percent change* |
|---|---|---|---|
| North Coast | $1,180,260 | $1,547,175 | 31.1 |
| Shasta-Cascade | 257,943 | 314,246 | 21.8 |
| San Francisco Bay Area | 7,794,919 | 8,628,856 | 10.7 |
| Central Valley | 2,024,952 | 2,303,355 | 13.7 |
| Gold Country | 544,422 | 645,469 | 18.6 |
| High Sierra | 351,526 | 436,837 | 24.3 |
| Central Coast | 2,200,271 | 2,523,132 | 14.7 |
| Greater Los Angeles Area | 5,207,081 | 5,986,105 | 15.0 |
| Orange County | 2,502,142 | 2,729,386 | 9.1 |
| San Diego County | 3,759,379 | 4,257,302 | 13.2 |
| Deserts | 993,722 | 1,159,129 | 16.6 |
| Inland Empire | 817,937 | 924,665 | 13.0 |
| Total | 27,634,555 | 31,455,655 | 13.8 |

Source: California Department of Commerce
Dean Runyan Associates

# V. Resource Industries

## Agriculture

The decade ended on a positive note for California agriculture, as recovery from the difficult times of the mid- 1980's continued in 1989. The total value of production increased 4 percent to a new high of $17.3 billion. Farm land values rose 6 percent in 1989 and farm foreclosures were fewer. Agricultural production is once again attracting investment funds, with farmers and ranchers purchasing new equipment.

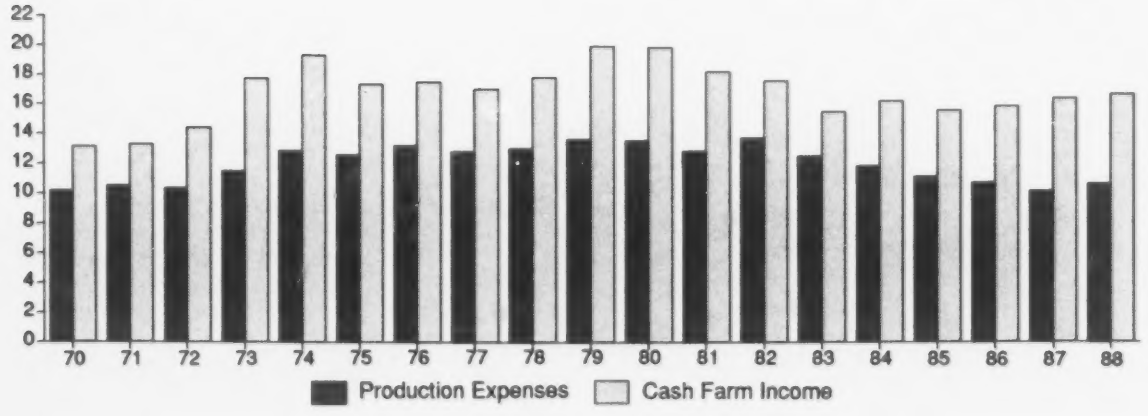
Several factors contributed to the improved agricultural situation in 1989. Among these were expanding exports, 1988 drought-reduced feed grain supplies, and a growing population with increasing interest in high value agricultural products.

**Changes in Progress.** Changing tastes and new environmental pressures are combining to challenge the agricultural sector in the 1990's. The California wine industry provides an example of these new challenges. Tastes in wine consumption are changing. Jug wines and wine coolers are on a downward trend, while consumption of premium wines is increasing. The percentage of premium wines sold has risen from 20 percent in 1986 to 33 percent in 1990, and is projected to reach nearly 50 percent in 2000. On a value basis, the premium wine market is gaining 13 percent per year, while generic wines are increasing at a 2 percent annual rate.

To satisfy this change in demand, grape growers need to replant or regraft some varieties to produce the preferred varietals. In addition, some heavy-producing, low-quality vineyards — 10 to 12 tons per acre in the lower San Joaquin Valley for example — will be replaced by new plantings in coastal valleys and hillsides. In these areas, 3 to 4 tons per acre of premium varietal grapes are the normal yield, for which the vintners will pay 3 to 5 times the central valley price.

With California supplying 92 percent of all U.S. grapes, this $1.4 billion

Cash Farm Income and Expenses
California: 1970-1988
($ 1988, billions)



industry is greatly affected by shifts in consumer taste. Fortunately, there is a revival of interest in raisins and fresh grapes at the same time that the use of Thompson Seedless for wine is decreasing. Success of the Dancing Raisins promotion is expected to be reflected in higher demand.

California produces 54 percent of the nation's fresh market vegetable crops and 58 percent of the major processing crops. Continued emphasis on freshness of produce and health are working to California's advantage. Vegetable buyers are showing a preference for suppliers that can guarantee constant supplies of uniform high-quality vegetables throughout the year. California's variety of climatic conditions is suitable for developing such a service through sequential year-round growing.

Interest is also gaining in "organic" or "chemical-free" produce. About 1 percent of California's 84,000 farms are estimated to be producing "organic" products, which sell at a substantial premium. Large growers are coming into an area that once included only small growers, committing thousands of acres to be certified as "organic" through three years of chemical- free cultural practices. An expanded Organic Food Law is making its way through the Legislature and will define the organic certification process and its regulation.

A shift in meat consumption from red to white is bringing a contraction of the beef industry and an expansion of poultry production. Higher beef prices in 1988 and 1989 have turned a declining inventory of beef cattle into a modestly-increasing one, but the 925,000 head of beef cows and heifers that have calved on California ranches is well below the 1 million mark that prevailed through the early 1980's. Broiler production increased for the 16th consecutive year. Turkey producers raised 30.3 million birds, up 14 percent from 1988. Gross income from all poultry and poultry products in 1989 was 27 percent above 1988.

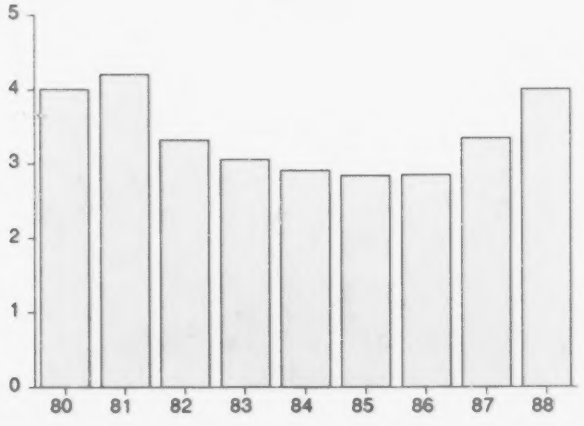
Exports of California's agricultural products are increasing. The 1988 value was 20 percent higher than 1987 and a further increase probably occurred in 1989. Higher buying power abroad, an exchange rate that is favorable to exporting and promotion of California's products have all contributed to the gains. The California wine industry, for example, exported only 1 percent of its produce in 1970, but is projecting that 5 percent will be sold internationally in 1990, rising to 9 percent by the end of the century.

A special agricultural export promotion program has been operating within the Department of Food and Agriculture since 1986. It provides matching funds to exporters who are promoting their products abroad through advertising, in-store promotions, restaurant and hotel special affairs, trade shows and similar activities. The increasing number of applications for these funds attests to the growing interest in exporting.

**Problem Areas.** Water supplies are an ever-present concern to California's agricultural sector.Winter rainfall has been below normal for three years, with the possibility that 1989-90 will be another dry year, creating concern over water use, and raising the issue of the costs of additional storage or new wells. Many storage reservoirs remained at critically low levels at the end of the year. As a result of these worries, water- saving techniques and technology are receiving increased attention. Drip irrigation equipment, evaporation-reducing mulches and the development of crops that are adapted to drier conditions and lower water quality are being studied.

Reduced water supplies are exacerbating the worsening water quality. Experiments encouraged by California Department of Food and Agriculture have shown that trees can be used to deplete drainage water. Harvestable trees would become an alternative to current practices of relegating drainage water to holding ponds or to areas such as Kesterson Reservoir which has become contaminated by high salt concentrations.

California's Agricultural Exports
Valued At Port, 1980-1988
($ billions)



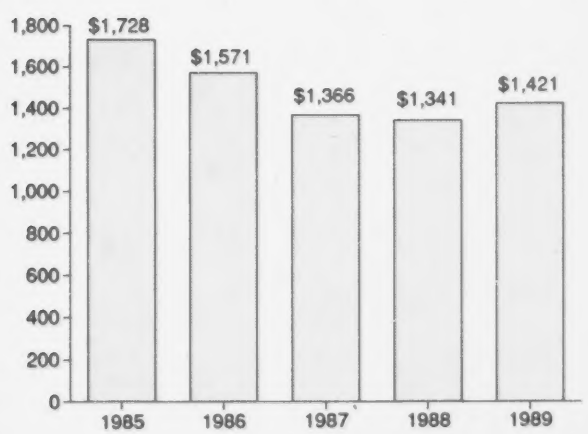
Pesticide use is receiving closer scrutiny and public criticism. As of January 1, 1990, a new reporting system records all agricultural pesticide use and will provide better answers to questions of how much is being used and for what crops. Interest is high in biological controls, integrated pest management, vacuum machines to take bugs off plants and other means to reduce chemical use. The indirect cost of reduced pesticide use is less-than-perfect products.

Competition from other growing areas continues to complicate California fruit and vegetable marketing. Mexican and Chilean products are complementary in the off-season, but competitive when production overlaps California's seasons. Mexican broccoli, for example, has absorbed much of the expanding market. Differences in labor costs will continue to encourage production abroad, but differences in chemical use regulations and problems of transportation and processing technology have a counter- balancing effect.

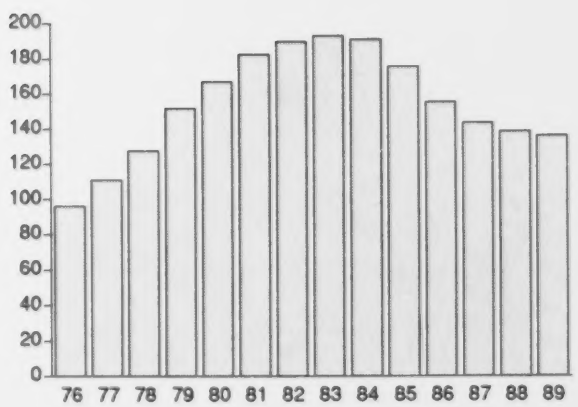
Two unknown factors on the political horizon are the outcome of the General Agreement on Tariffs and Trade (GATT) negotiations and the form of the 1990 Farm Bill that will be considered by the U.S. Congress. Each has possible ramifications for California's products. Two of the items to be negotiated or legislated are tariff reductions on California almonds and walnuts in Europe and price levels for milk. The outcome of these issues will affect the marketing decisions of California's ranchers and growers.

Another factor of considerable concern to the agricultural sector is the loss of agricultural land to non-agricultural use. Preservation of California's unique agricultural land resource is being monitored by the California Department of Conservation. The long-run economic impact of urbanization on California agriculture is an ongoing concern. The Silicon Valley was once a fruit-growing center and Los Angeles County was once the leading agricultural-producing county in the U.S. In the past 50 years these areas have become urban centers, and the next 50 years could bring development to more agricultural areas. Judicious decisions on future land use in California will involve state and local governments with public and private organizations devoted to farmland preservation.

California Farm Land Value Per Acre
(Includes buildings)




United States
Total Farm Debt
($ billions)

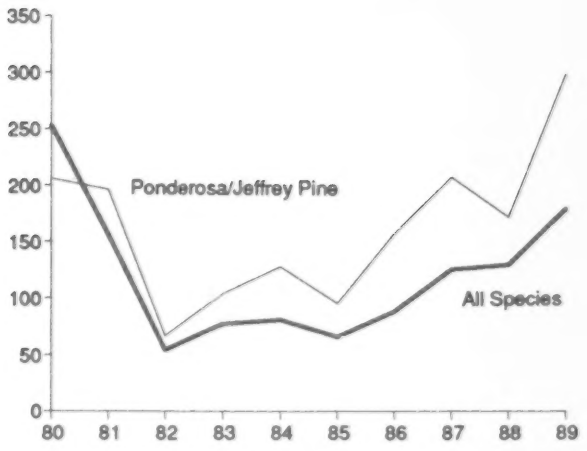


## Forestry

California has the third largest wood products industry in the nation, providing over 10 percent of the total national lumber supply. The 1989 tree harvest was worth about $560 million and lumber production was valued at around $1.3 billion.

During the 1980's, the California timber industry followed the trends of the economy as a whole. Stumpage and lumber prices dropped steadily from 1980 to 1982, responding to the drop in housing demand. In 1982, the average stumpage price, the price paid to raw material producers, was $54 per thousand board feet. The composite framing lumber price index, representing the price paid to sawmills for their products, was $169. Lumber production, at 2.98 billion board feet, was the lowest since 1950.

National Forest Stumpage Prices
(Dollars per thousand board feet)




Since 1982, however, production and prices have gained steadily. The overall stumpage price in 1989 was $179 per thousand board feet, an increase of 38 percent over the previous year and over 200 percent since 1982. Lumber production for 1989 is estimated at 5.7 billion board feet, matching levels last seen in the early 1970's. The current framing lumber composite index was 240 in 1989, a gain of over 40 percent since 1982.

Industry gains have been due to a number of factors, not the least of which has been the economic expansion. Traditionally the timber industry fortunes have been tied to the housing market and interest rates. Housing permits rose steadily from 1983 through 1986. Since then, there has been a leveling off in total permits, but a shift in mix toward larger single family homes. Lumber production has remained high, reflecting the increase in material per unit and a steady pickup in the remodeling and additions market.

The recession early in the decade prompted a shakeout of less efficient producers. Current lumber mills increasingly rely on high technology machines and processes to keep costs down and remain competitive. The productivity gains made by the industry have been impressive. Where older mills often required six to eight persons per million board feet of lumber produced, the state-of-the-art mills arriving on the scene need only three to five persons per million board feet. Productivity gains are likely to stabilize, however, as the less efficient mills are replaced or go out of business.

Employment in California's lumber industry rose 3.4 percent in 1989 to

Table V-1
California Lumber Production

| *Year* | *Million board feet* | *Percent change* |
|---|---|---|
| 1980 | 3,768 | |
| 1981 | 3,224 | −14 |
| 1982 | 2,987 | −7 |
| 1983 | 3,574 | 20 |
| 1984 | 3,891 | 9 |
| 1985 | 4,168 | 7 |
| 1986 | 4,865 | 17 |
| 1987 | 5,408 | 11 |
| 1988 | 5,671 | 5 |
| 1989 (est.) | 5,733 | 1 |

Source: Western Wood Products Association
California Department of Forestry estimate.

over 71,000, the highest level reached in over a decade. A higher proportion of the total are employed in secondary manufacturing than in the past. These activities occur less and less in the rural areas.

Rising stumpage and lumber prices in the past year are attributed to a growing shortage in supply. National forests have accounted for 40 percent of stumpage production during the past decade. Under normal conditions, U.S. Forest Service contracts provide a two to three year supply of uncut stumpage. Currently, just over a year's supply is under contract to California lumber manufacturers. This situation has been cited as causing a number of mills to scale back production or even close.

Given the current controversy over forest practices and environmental issues, the industry expects the short run timber supply to remain tight. Over the longer term, the supply situation may ease, but is expected to remain tighter than in the past. Environmental awareness is a hallmark of California, and timber harvesting activities will continue to be scrutinized. The transition from harvesting old growth to second growth is essentially complete. In the coming years, smaller trees will be harvested. Improved utilization can partially offset lower volumes. On balance, however, the industry expects that less will be harvested than before.

The industry will have to contend with the competing claims on forestlands, including water, recreation, and wildlife habitat. The resolution of these issues along with that of long term sustainability will dictate the future of not only the forest industry, but of how forests and rangelands will be allocated in California.

## Energy

**Oil and Natural Gas Production.** As the 1990's begin, California's dependence on petroleum and natural gas continues to increase. Together, oil and natural gas provide about 85 percent of all energy used in the state. Crude oil, California's primary fuel, accounts for about 55 percent of the state's total energy demand, while natural gas accounts for 30 percent.

During 1989, as in the past decade, California continued to produce about 13 percent of the nation's domestic crude oil and rank fourth in the nation among the oil-producing states, behind Alaska, Texas, and Louisiana. Since 1971, Kern County has been the most productive county in California, accounting for about 65 percent of the state's total combined onshore and offshore production. Los Angeles County, with about 12 percent of the total, has remained in second place since 1971.

During 1989, oil production in California decreased for the fourth year in a row, largely due to low, unstable oil prices. Average production fell to 997,000 barrels per day during the year, the first time since 1980 that the state's oil production fell below one million barrels per day.

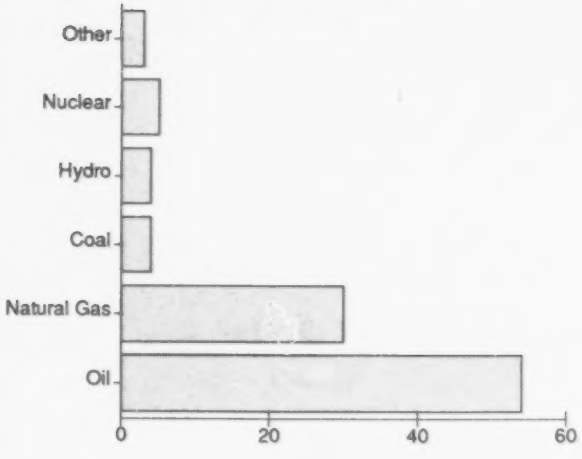
After some near-record lows in 1988, crude-oil prices rose throughout most of 1989 and continued rising in early 1990. However, prices in California are substantially lower (by about $9.00 per barrel) than they were when records were set in the early 1980s, and have remained so since the dramatic worldwide price collapse in early 1986. In addi-

Table V-2
Price Trends in the Lumber Industry

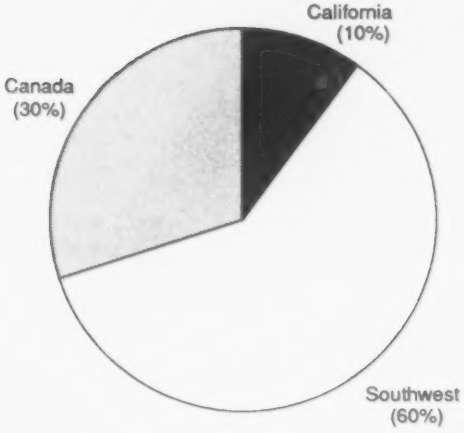
| | *1983* | *1984* | *1985* | *1986* | *1987* | *1988* | *1989* [e] |
|---|---|---|---|---|---|---|---|
| Framing lumber composite index | 221 | 199 | 194 | 206 | 229 | 228 | 240 |
| Douglas fir: standard & better 2×4 | 222 | 202 | 175 | 215 | 227 | 233 | 264 |
| California ponderosa pine, #3, 1×12 | 251 | 278 | 226 | 252 | 262 | 270 | 323 |
| Douglas fir plywood ⅜", CD ext. | 154 | 152 | 150 | 157 | 151 | 152 | 176 |
| Stumpage: | | | | | | | |
| Douglas fir | $63.50 | $65.50 | $62.19 | $64.00 | $83.00 | $93.19 | $169.95 |
| Ponderosa and Jeffrey pine | 104.00 | 127.89 | 94.92 | 157.00 | 207.00 | 171.74 | 298.54 |
| All species | 76.90 | 80.70 | 65.46 | 88.00 | 125.00 | 129.00 | 178.64 |

[e] Estimate
Source: California Department of Forestry.

California's Energy Resources, 1990
(Percent)




California Sources of Natural Gas




tion, California crude oil is generally of low quality, which leads to lower-than-average prices because it is more costly to refine.

At the beginning of 1989, California's proved oil reserves — oil that can be recovered economically with existing technology and at current prices — were estimated at 4.9 billion barrels, down slightly from 5.2 billion barrels a decade ago. Advancements in enhanced oil-recovery methods utilizing steam injection and new offshore discoveries have been responsible for a relatively stable oil-reserve base during the past decade; however, reserves are generally being depleted faster than they are being replaced.

As in the past decade, California continues to import almost half of its crude-oil needs. Alaska provides about 43 percent of the oil used in California, while foreign sources account for about 5 percent.

During 1989, natural gas production in California decreased for the third year in a row, to about 373 billion cubic feet. This was the lowest level of production since 1980. During the past decade, new onshore and offshore discoveries brought gas production to a high of about 494 billion cubic feet, the highest total since 1973, before it dropped to its current level. The present reserve base is about 4 trillion cubic feet.

**Oil and Natural Gas Consumption.** The past decade was a period in which major restructuring of the natural gas industry occurred and oil markets stabilized. It was a decade of generally falling oil and gas prices and plentiful supplies. In early 1990, the price of oil was $18 per barrel, less than half the price in the early 1980s. However, oil and gas prices are now believed to be again on a long term upward trend, although a repeat of the sharp increases of the 1970s is not considered likely. Oil and gas together provide about 85 percent of all energy used in California. Oil alone accounts for more than half the total.

More than half of California's oil supply came from sources outside the state in 1989. A larger share of oil came from Alaska in 1989 than ever before. Despite the increase in supply from Alaska, production from that state is expected to decline through the 1990s, requiring that California rely more on foreign sources for its petroleum needs. More foreign oil has already arrived California ports. In 1989, foreign oil

made up 6.5 percent (45.9 million barrels) of California's oil supply, the largest amount since 1984.

Three quarters of the oil in California is consumed for transportation, where demand is at an all-time high. Californians are consuming close to 13 billion gallons of gasoline annually, up from 11-1/2 billion in 1979. This makes California the world's third largest gasoline consumer, after the Soviet Union and the other 49 states. Oil demand in California and worldwide is likely to grow through the coming decade.

Oil use is also a source in increasing environmental concern. Again, transportation is at the heart of the problem, producing over half of the air pollution in California. Developing and introducing cleaner fuels and vehicles has become an important goal of pollution control efforts throughout the state.

Natural gas accounts for about 30 percent of California's total energy use. About 90 percent of the state's gas comes from out- of-state sources, mainly from the southwest and Canada. The eight year surplus of natural gas, following the Federal deregulation of wellhead prices has essentially dissipated. Gas production is likely to be generally adequate for the foreseeable future, although increased pipeline capacity will be required to meet the state's growing demand.

State and Federal gas regulators continue to focus on making the gas supply system more sensitive to market forces in order to increase the efficiency and reliability of gas service. The goal is two fold: to enhance competition among gas sellers and to provide equal access to the regulated gas pipeline network for all gas suppliers. Considerable progress has been made in both regards.

**Electricity.** The major post World War II expansion of California's electricity supply system relied mostly on oil-fired power plants. During the 1950s and 1960s, oil was cheap and plentiful. The oil embargoes of the 1970s, however, made clear the desirability of diversifying California's electricity supply base.

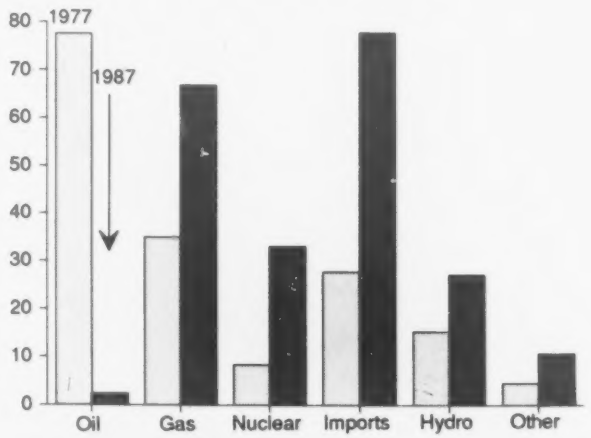
During the 1980s, this goal was largely accomplished. The state's utilities reduced their heavy reliance on oil through a variety of actions. These included increased purchases from utilities outside the state with surplus energy and construction of coal-fired power plants located in the Southwestern U.S. The growth of independent, non-utility, power suppliers, which rely on fuels other than oil, also contributed to diversifying the system's energy base.

California utilities were able to increase out-of-state purchases because the state is part of the largest interconnected electrical system in the United States. The Western Grid stretches from the Rockies to the Pacific and from Canada to northern Mexico. Inter-utility transactions are increasing.

The explosive growth of the independent power industry, which was virtually nonexistent in 1980, but today provides 13 percent of the state's electricity supply, illustrates a second fundamental change in the state's electric power industry. The traditional view of electric service as a monopoly function is changing. Construction and operation of power plants is no longer solely the function of the state's electric utilities. State regulatory agencies are developing procedures which will allow independent power producers to compete to build and operate future power plants. Utilities across the country are turning to bidding procedures to acquire new resources. While evolutionary at this time, use of competitive markets to acquire needed power plants will become commonplace during the 1990s.

California's need for new electricity supply continues to grow, although at a modest rate. Energy demand growth continues at about 2 percent per year as California's population expands. The increasing share of population growth in California's inland areas is also increasing the demand for electricity for air conditioning.

Sources of Generation
(Thousands of GWH)



A major issue facing the state's utilities in the 1990s is the need to rehabilitate or replace aging power plants. Over 30 percent of the state's installed generation base will be reaching nominal design-life limits of 40 years. It is not clear at this juncture whether these power plants should be replaced or rehabilitated to allow them to continue to operate reliably.

The decade ahead will also see increasing interest in use of electricity to replace combustion and improve air quality. Strategies now being discussed include a variety of measures with large-scale use of electric vehicles having perhaps the most significant impact on electricity demand.

The 1990s will be a decade of continuing change in the electric power industry. Competition will play an increasing role in determining the suppliers of new power generation.

## Minerals

Throughout most of the decade California has led the nation in non-fuel mineral production, annually accounting for about 7.5 percent to 10 percent of the National total. In 1988, the latest year for which mineral production statistics are available, the estimated value of the state's non- fuel mineral production totaled $2.7 billion, up 12 percent from the previous year. The value of 1989 production is expected to increase slightly.

About 80 of the 105 non-fuel minerals commodities tracked annually by the U.S. Bureau of Mines are abundant in California. Almost half of these commodities are being mined in the state. Most significantly, California is the sole producer of borate minerals in the nation and the source of over half of all rare- earth minerals in the world. It leads the nation in the production of portland cement, diatomite, calcined gypsum, construction sand and gravel, and tungsten. California also ranks high in the nation's production of gold, calcium chloride, and magnesium and sodium compounds.

There are about 1000 mines distributed among 57 of California's 58 counties. The largest number of mines supply the state's construction aggregate needs, while the number of industrial minerals and metal mines rank second and third, respectively.

Because most of the mining activity in the state relates to the production of construction aggregate and industrial minerals, mineral production in California is closely tied to population growth. Hence, the value of annual mineral production should continue to increase through the 1990's as a consequence of relatively rapid population growth and resulting home, commercial, and industrial development. Also, gold mining activity in California should continue its dramatic increase as high market prices, improved technology, and new discoveries encourage further exploration and production.

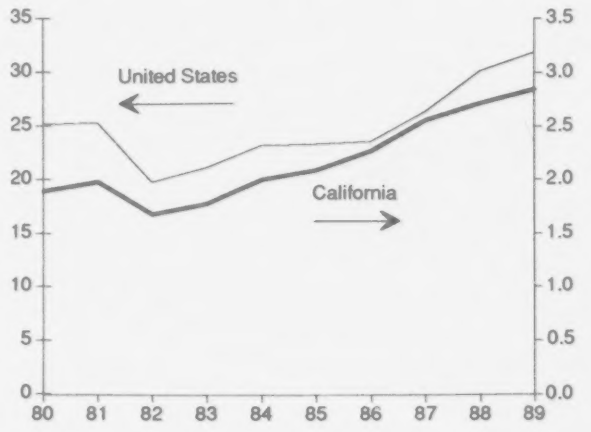
At the same time, the development of mines has been impacted by no-growth regulations and opposition to new mining permits. Initiatives to prohibit certain types of mining operations have been voted on, and in some cases passed, in several cities and counties. As competition for land-use in California increases during the next decade and beyond, these types of public actions are expected to continue.

## Water Resources

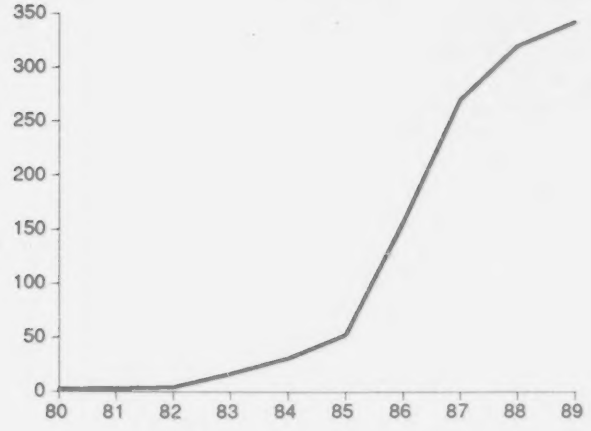
For the fourth consecutive year, the state is faced with the prospect of water shortages. In 1989, over 10 million Californians, or approximately one-third of the state's population, were subject to mandatory water conservation or rationing.

The issue of how to meet the growing water needs of competing users is increasingly complex. The construction of many water supply facilities in the 1960's coupled with plentiful ground water supplies provided enough capacity to see the through difficult times with minimum negative impact. Now, population growth

Non-fuel Mineral Production
($ billions)



California Gold Production
($ millions)




and changing allocations have caught up with the developed supply. The "safety net" is no longer what it used to be, and greater emphasis on short term contingency planning is necessary. In effect, this means making maximum use of existing supplies through conservation, the conjunctive use of surface and ground water, and a more open system of water exchanges.

In the 1980's, several steps were taken to solve the state's water supply problems. Public passage of bond laws provided millions of dollars to support water conservation projects. The Legislature passed laws making water transfers a more acceptable consideration for individuals and local water agencies. The state's program to "bank" water underground in Kern County is another approach that was taken.

Given these and other steps taken in recent years the outlook is one of qualified optimism. Most of California's water needs can be met by continuing to fine tune water management options. Still, managing and developing water resources will provide serious challenges in the decades ahead.

## Protection of the Environment

**Air Resources.** California has continued to make progress toward air quality goals while the state's economy and population have grown faster than the national average. In the 1980s, smog forming emissions were reduced substantially. For example, hydrocarbon emissions have been reduced 24 percent and nitrogen oxide emissions have been cut by 12 percent.

Even though California has made significant progress toward meeting air quality standards, 75 percent of the nation's ozone exposure occurs in California. Peak ozone levels are three times the Federal standard for healthy air. Most urban areas in California exceed one or more of the state's air pollution standards between 40 and 130 days per year. Ozone standards are exceeded in 10 of the 14 air basins.

Following expiration of the Clean Air Act at the end of 1987, California has moved aggressively ahead of the Federal government in seeking improvements in air quality. The Air Resources Board is now implementing new State legislation, the California Clean Air Act of 1988 (CCAA). The CCAA requires attainment of State and Federal health-based air quality standards and emission reductions from all sources of pollution, including industry, households and the transportation sector.

Although new vehicles are 80 percent cleaner than those manufactured in the 1970s, motor vehicles continue to be the largest single source of air pollution. Auto and truck emissions account for over half of smog producing pollution. There are 21 million cars in California which travel 200 billion miles annually. In 1989, the Air Resources Board adopted a new round of more stringent vehicle pollution regulations. By the mid- 1990s, these will require new control and computer technology to reduce emissions by an additional 40 percent, and, by the turn of the century, even more stringent standards will have to be met.

# VI. Long Range View

## Review of the 1980s

The past decade was a period of economic success, for both the United States and California. In sharp contrast to the double digit inflation and rising unemployment of the previous decade, the 1980s witnessed a record peacetime economic expansion which has carried over into the new decade. There was steady progress in reducing unemployment and containing inflation. Consumer prices, which jumped 13-1/2 percent in 1980, increased less than 5 percent during each of the last seven years.

The decade of the 1980s was an especially remarkable period for the California economy. Since the long economic expansion began in 1982, employment has increased by more than 2.8 million—one out of every six new jobs in the nation. The state's labor force grew almost 20 percent--one and a half times the national rate of increase—yet the jobless rate was cut by more than half, and in 1989 had reached the lowest level in 20 years.

Much of California's success is directly related to the dramatic improvement in the nation's economic environment. But California, long established as the nation's largest regional economy, outpaced the nation by virtually every measure of economic growth. The state was among the few regions of the nation to avoid the "rolling slowdowns" which affected various parts of the country at various times over the last several years.

California's population growth reached record levels in the latter half of the decade. It has long assumed that gains in this most populous state must eventually slow to a rate more closely approximating the national average. The consistent strength of the state's economy certainly played a major role in the recent surge of population growth.

**The Nation.** Although the turn of a decade is a traditional time to look back and look ahead, economic and social trends do not always fit quite neatly into ten years on the calendar. Clearly, the eighties were dominated by the record economic expansion which began in November 1982, and the period will rightly be remembered as one of steady economic growth and low inflation. But the decade began on a rather different note of inflation and recession.

The dual recessions of 1980 and 1981-82 were climactic, bringing to an end a difficult episode in the nation's economic history. To many, 1970s will be remembered for gasoline shortages, higher inflation and rising unemployment. Economists will add that productivity growth collapsed, tax rates generally rose, and living standards stagnated or by some measures even declined.

Although some observers still talk of bad luck in agriculture and energy, most analysts now agree that many of the problems which plagued the economy in 1970s were the result of often well intentioned, but nonetheless misguided, government intervention in the economy. Government policies in the 1980s generally sought to remove these self-imposed barriers to economic growth and prosperity. Fine tuning of monetary and fiscal policy to achieve short-term targets has been generally discredited. Direct intervention, such as price controls or supply allocation schemes, are now recognized as part of the problem, rather than the solution.

The U.S. economy recovered smartly from the 1981-82 recession, with real gross national product advancing 3.6 percent in 1983 and a towering 6.8 percent the following year. From 1985 to 1989, growth slowed to a more sustainable 2-1/2 to 4-1/2 percent pace. This period, however, included a substantial slowdown in the first half of 1986. The cumulative effects of a rising U.S. dollar exchange rate hampered U.S. competitiveness in world markets, leading to a "mini-recession" in manufacturing. The economy again slowed in the latter half of 1989, in response to Federal Reserve policies aimed at heading off an incipient inflationary spiral.

Inflation dropped dramatically from the high rates of the late 1970s and early 1980s. Driven in part by higher world oil prices, the consumer price index averaged a 13.5 percent increase in 1980. By 1983, the rise in prices had cooled to 3.2 percent, and under the weight of collapsing oil prices, reached a low of 1.9 percent in 1986. More recently, the CPI has risen in the 4 to 5 percent range. Throughout the economic expansion, the "core" inflation rate, excluding the volatile food and

energy components, has been remarkably stable at slightly over 4 percent.

The rejection of economic fine tuning in favor of longer term goals was probably the major policy development of the 1980s. Fiscal policy was marked by two major pieces of tax reform and rate reduction legislation. The 1981 Federal tax act cut the top personal rate from 70 percent to 50 percent, reduced capital gains taxes, and provided accelerated depreciation for a variety of investments. The far more sweeping 1986 legislation capped personal rates at 28 percent, while broadening the tax base by limiting the availability of tax sheltered investment schemes. Although top rates were cut dramatically, the 1986 Act also removed from the personal income tax roles millions of low income households.

The buildup in defense expenditures, which began in the 1970s, continued through the middle of the 1980s. Efforts to contain domestic outlays were only partially successful, although government purchases of nondefense goods and services were virtually unchanged between 1981 and 1989 in real terms. Defense outlays peaked in 1987, declining in real terms during both 1988 and 1989. Transfer payments continued to rise throughout the decade, although no major new programs were added.

The tax cuts, coupled with the after effects of the early 1980s recessions and the somewhat limited success in containing Federal outlays, resulted in record peacetime Federal budget deficits. The Gramm-Ruddman-Hollings Act, which sets specific targets for deficit reduction, has been moderately successful in limiting the deficits in recent years, even though the actual annual targets have not been achieved. Since 1984, the Federal deficit has

**Chronology of the 80s**

| | |
|---|---|
| 1980 | Recession begins in January, ends in July. Credit controls imposed. March Consumer Price Index up 14.8 percent over the year. Bank prime rate hits 20 percent. |
| 1981 | Major Federal tax bill cuts top personal income tax rate from 70 percent to 50 percent. Prime rate hits 20 ½ percent in July. Recession begins in July. OPEC oil price set at $34 per barrel. |
| 1982 | March Consumer Price Index declines—first drop in 17 years. Financial institution deregulation bill passes Congress, broadening lending powers for savings and loans, ending interest rate ceilings on consumer deposits. Mexico defaults on foreign debt. Recession ends in November. |
| 1983 | Prime rate reaches 10 ½ percent, half its 1981 peak. OPEC lowers oil price. |
| 1984 | Breakup of American Telephone and Telegraph Company in January. |
| 1985 | Auto industry offers rebates, low interest rate financing for the first time. Farm Credit System seeks bailout. Saudi Arabia steps up oil production, cuts price. OPEC abandons price setting. Dollar reaches 10 year high against major curriencies. |
| 1986 | Oil prices fall under $11 per barrel. Prime rate falls to 7 ½ percent. Consumer prices rise less than 2 percent for the year. Sweeping Federal tax reform passed, slashing maximum personal rate from 50 to 28 percent, broadening tax base, removing millions of low income households from tax rolls. Dollar reaches post War low against Yen. |
| 1987 | Dow Jones Industrial average passes 2000 mark for first time in January, rises above 2700 in August. Dow falls record 508 points on October 17, culminating four day 769 point decline. Dollar hits post War lows against Mark and Yen. |
| 1988 | Losses mounting in savings and loan industry. Regulators attempt to find rescuers for worst cases. Economic expansion reaches sixth year, record peacetime length. |
| 1989 | Savings and loan bailout bill passes Congress. Expansion a record seven years old. |

declined steadily as a percent in GNP, and is now lower in relation to GNP than in most other industrialized countries.

Monetary policy had shifted from interest rate management to money supply targeting in October 1979. Although financial deregulation eventually made money supply a less reliable focus of monetary policy, the Federal Reserve has more recently adopted a long range policy of eliminating inflation as a factor in economic decision making—essentially a "no inflation" policy goal.

Although the economic expansion has been a long one, it has by no means been a completely smooth ride. As noted, large segments of manufacturing experienced what was essentially a recession in 1986, and could well be headed to another one in 1990. Foreign competition has kept constant pressure on factories to boost productivity and reduce costs.

Deregulation has had a similar impact on many service producing industries which may not be directly exposed to foreign competition. These include finance, air transport and trucking, communications and even many energy utilities. Other firms have been forced by financial restructurings—leveraged buyouts and takeovers—to reduce costs in order to meet staggering debt burdens. Even firms which escaped heavy debt burdens often must adopt similar cost and price cutting strategies in order to keep up with their newly leveraged, lean and hungry competitors.

These competitive pressures help explain why this long expansion has not been characterized by any noticeable deterioration in the underlying inflation rate. Stable inflation, in turn, has made it unnecessary for the Federal Reserve to slam on the monetary brakes hard enough to tip the economy into a recession.

The return to sustained lower rates of inflation has, for some, been the most difficult adjustment of all. Many of the problems in the thrift and banking industries stem from credit decisions made on the assumption of ever rising real estate values. Implicit in such assumptions was the continuation of inflation in the 8 to 10 percent range—a price outlook which appeared quite moderate in the early 1980s.

The U.S. foreign deficit has been a major concern for the last several years. The deficit resulted from the massive strengthening of the dollar during the first half of the 1980s. Subsequent depreciation has not been sufficient to eradicate the shortfall, to some degree because the U.S. has lost the ability to produce a wide variety of goods. In addition, however, on a purchasing power basis, the dollar remains overvalued against such key currencies as the Yen and Mark, while many of the newly industrialized nations of Asia manage their exchange rates as a strategy to promote exports. Chronically depressed Latin American markets have also contributed to the trade gap.

The foreign deficit has narrowed steadily in recent years, and in 1989, amounted to less than 1 percent of nominal gross national product. Moveover, there is little to suggest that the foreign gap is doing great harm to the economy. With the labor markets operating at virtual "full employment" it is difficult to argue that jobs are being lost to imports. Ironically, a downturn in economic activity, which would raise the jobless rate, would almost certainly bring the trade account into balance as imports decline.

The household savings rate is a chronic U.S. worry, in large part because it is poorly and inaccurately measured—and systematically underestimated. Savings in the late 1980s, reported at 3 to 5 percent of disposable income, are now compared unfavorably to the late 1970s, when savings rose to over 7 percent of income, according to the most recently revised figures. At the time, however, the savings rate was

Table VI-1
Trends in California Real Income
**(1982 $)**

| | *Total* | | *Per capita* | |
|---|---|---|---|---|
| | *Billions* | *Percent change* | *Dollars* | *Percent change* |
| 1975..... | 252.9 | | 11,742 | |
| 1976..... | 267.9 | 5.9 | 12,214 | 4.0 |
| 1977..... | 280.6 | 4.7 | 12,553 | 2.8 |
| 1978..... | 300.2 | 7.0 | 13,144 | 4.7 |
| 1979..... | 313.0 | 4.3 | 13,460 | 2.4 |
| 1980..... | 318.8 | 1.9 | 13,398 | −0.5 |
| 1981..... | 326.4 | 2.4 | 13,450 | 0.4 |
| 1982..... | 328.0 | 0.5 | 13,238 | −1.6 |
| 1983..... | 338.6 | 3.2 | 13,378 | 1.1 |
| 1984..... | 360.0 | 6.3 | 13,967 | 4.4 |
| 1985..... | 378.7 | 5.2 | 14,369 | 2.9 |
| 1986..... | 396.0 | 4.6 | 14,666 | 2.1 |
| 1987..... | 410.2 | 3.6 | 14,833 | 1.1 |
| 1988..... | 426.5 | 4.0 | 15,063 | 1.5 |
| 1989..... | 439.9 | 3.1 | 15,135 | 0.5 |

Source: California Department of Finance.

Table VI-2
Percent Distribution of Employment
By Industry
California and U.S., 1989

| *Industry* | *California* | *U.S.* | *Calif.-U.S.* | *Industry* | *California* | *U.S.* | *Calif.-U.S.* |
|---|---|---|---|---|---|---|---|
| Total nonagricultural employment | 100.00 | 100.00 | — | Finance-insurance-real estate | 6.64 | 6.28 | 0.36 |
| Mining | 0.32 | 0.67 | −0.35 | Services | 26.24 | 24.77 | 1.47 |
| Construction | 5.14 | 4.88 | 0.26 | Government | 15.92 | 16.33 | −0.41 |
| Manufacturing | 17.21 | 18.06 | −0.85 | Federal | 2.84 | 2.75 | 0.09 |
| Nondurables | 5.70 | 7.44 | −1.74 | State and local | 13.08 | 13.57 | −0.49 |
| Durables | 11.51 | 10.63 | 0.88 | | | | |
| Transportation-utilities | 4.80 | 5.25 | −0.45 | | | | |
| Trade | 23.72 | 23.77 | −0.05 | | | | |
| Wholesale | 6.10 | 5.74 | 0.36 | | | | |
| Retail | 17.61 | 18.03 | −0.42 | | | | |

Source: California Department of Finance.

reported to be in the low 4 percent range, and the 1981 *Economic Report of the President* included a long chapter on the need to improve the savings habits of Americans.

**California in the Eighties.** In the 1980s, California increased its share of the nation's economy, which is to say the state consistently grew faster than the national average. By 1989, California contributed over 13 percent of U.S. gross domestic product, up from 11.8 percent in 1979. Employment and income growth averaged nearly one and one-half times the national rate of increase. Since 1980, the state has accounted for 23 percent of U.S. population growth, and more than one-quarter of the increase since 1985.

The numbers themselves are impressive. Between 1980 and 1990, California added about 6 million residents, a number equal to the entire population of Massachusetts or Virginia. Los Angeles County alone added over 1.2 million residents. San Diego increased by 600,000, San Bernardino by more than half a million, Orange and Riverside by about 400,000 each.

More than 3.2 million Californians found jobs during the decade. Personal income rose by $327 billion, to a level two and one-third times the 1979 figure. Over 2 million new homes were built, but given the population boom, production probably fell 200,000 to 300,000 units short of potential demand.

Of the 2.9 million nonagricultural payroll jobs added during the decade, more than 1.2 million were in services, the largest industry sector in California. Jobs in services increased by an average of 4.7 percent per year, the fastest growth among the eight major industry divisions.

Construction was the second fastest growing category, averaging 3.7 percent annually. The finance, insurance and real estate group also outpaced the average 2.7 percent annual job growth, advancing 3.4 percent a year. Wholesale and retail trade added 760,000 jobs, increasing at an average rate of 3 percent per year.

Concerns are often expressed regarding the "quality" of job growth in California—and the nation—during the 1980s. There is a tendency to equate service producing activities with "low paid" jobs —the image of hamburger flippers or hotel attendants. In fact, the

Table VI-3
The Relative Position of California
Manufacturing

| | *Percent of manufacturing jobs in the United States* | *Percent of all nonagricultural wage and salary jobs in California* |
|---|---|---|
| 1980 | 10.0 | 20.5 |
| 1981 | 10.1 | 20.4 |
| 1982 | 10.4 | 20.0 |
| 1983 | 10.6 | 19.6 |
| 1984 | 10.7 | 19.5 |
| 1985 | 10.8 | 18.9 |
| 1986 | 10.9 | 18.4 |
| 1987 | 11.1 | 18.0 |
| 1988 | 11.1 | 17.8 |
| 1989 | 11.0 | 17.2 |

Source: California Department of Finance.

greatest number of jobs added in California's service sector was in business and engineering, management and consulting services, which include such industries as computer systems and software, accountants, architects, and management consultants. Law, health care, and finance, insurance and real estate are among other fast growing, high paying industries in California.

What about manufacturing? California factory jobs increased less than 1 percent annually over the last 10 years. But California's share of the nation's manufacturing employment rose substantially, from 9-1/2 percent in 1979 to over 11 percent in 1989. The U.S., meanwhile, has shown a steady increase in its share of the western industrial countries' (OECD) manufacturing employment over the past quarter century, including the 1980s.

This indicates that the U.S. is maintaining its industrial base relatively better than the OECD average, and California is doing better than the nation as a whole. Moreover, because of the rapid growth of productivity in manufacturing, employment figures understate the factory sector's contribution to overall economic activity. Despite the declining share of factory jobs, manufacturing's share of GNP has remained relatively constant at 22 to 23 percent over the post World War II period. In California, manufacturing's share has been rising in recent years.

More generally, California's share of the nation's goods producing employment rose far more in the 1980s than did the services share. California's share of total wage and salary employment increased about 0.8 percentage points from 1979 to 1989, but both mining and manufacturing shares rose by 1-1/2 percentage points, and the state's construction industry added 2 full percentage points, to claim 12.2 percent of the nation's building jobs.

By contrast, the state's share of U.S. trade employment—the lowest paid industry group, on average—rose only 1/2 percentage point, and services were up little more than a tenth of a percent. What these figures suggest is that job opportunities in California are on average of better quality (i.e., higher paying, more skilled) than in the nation as a whole.

Another point highlighted by these figures on employment shares, is the increasing diversification of the California economy—the extent to which the state now mirrors the composition of the entire U.S. economy. True, services remain somewhat over-represented in California as compared to the nation, accounting for 26.2 percent of total jobs in the state, compared to 24.8 percent nationally. This difference, however, is more than accounted for by the basic or "export" oriented pieces of California services, including motion picture production (40 percent of the U.S. industry) and the computer oriented segments of the business and engineering and management services industries.

Apart from services, most industry groups account for about the same proportion of total employment in California as they do in the nation. It is this diversity which has allowed California to avoid the "rolling slowdowns" which have characterized this long economic expansion, and instead to grow consistently faster than the national average. The state is the nation's largest defense contractor, leading electronics producer, number one agricultural state, favorite travel destination, fourth leading energy producer, second in financial services, far and away the largest motion picture and television producer and on and on. Yet none of these industries is large enough *within* the state's economy to define the path of growth.

There is little doubt that the defense buildup helped boost California economic growth in the first half of the decade. But defense contracting is now in its fifth year of decline, and

Table VI-4
California Share of National Employment
By Industry, 1979 and 1989
**(Percent)**

| *Industry* | *1979* | *1989* | *Difference* |
|---|---|---|---|
| Total nonagricultural wage and salary workers | 10.76 | 11.59 | 0.83 |
| Mining | 4.10 | 5.57 | 1.47 |
| Construction | 10.06 | 12.21 | 2.15 |
| Manufacturing | 9.57 | 11.04 | 1.47 |
| Nondurables | 7.78 | 8.89 | 1.11 |
| Durables | 10.73 | 12.55 | 1.82 |
| Transportation-utilities | 10.41 | 10.59 | 0.18 |
| Trade | 11.01 | 11.56 | 0.55 |
| Wholesale | 10.84 | 12.32 | 1.48 |
| Retail | 11.07 | 11.32 | 0.25 |
| Finance-ins.-real estate | 11.98 | 12.26 | 0.28 |
| Services | 12.12 | 12.28 | 0.16 |
| Government | 10.88 | 11.30 | 0.42 |
| Federal | 11.64 | 11.95 | 0.31 |
| State and local | 10.72 | 11.16 | 0.44 |

Source: California Department of Finance.

the state continues to out-gain the nation. Likewise, the leveling off of growth in electronics has not materially affected the overall pace of the state's economy.

It is this diversity, among many other elements, which provides solid grounds for optimism about California's prospects in the decade ahead. Population and employment growth will undoubtedly slow, for reasons explained on the following pages. At the same time, there is a good chance that living standards —real disposable incomes—will rise faster in the 1990s than in either of the last two decades. And, California will probably continue to outperform the nation by a fairly substantial margin.

**About the Forecast.** In this outlook, figures are presented for 1995 and 2000. They are intended to be illustrative, not precise. For one thing, the timing of the business cycle, which it is assumed is far from dead, cannot be pinpointed a year in advance, much less five or ten. The figures represent "average" non-recession, non-boom years at the middle and end of the decade.

In addition, longer run inflation "forecasts" are really policy assumptions, since ultimately only the Federal Reserve can determine how quickly the purchasing power of money erodes. Any nominal variables, such as personal income, are obviously influenced by this assumption.

In projecting real economic growth, the two most important variables are labor force growth—mainly a product demographic trends—and productivity, measured as output per hour of work.

## The 1990s—The Nation

**The Demographic Factor.** Usually ignored in short-range economic analysis, demographics play a key, even dominant role in any long range forecast. The baby boom generation, those born from 1946 through 1964, are the overwhelming social and economic force of the latter half of the twentieth century. They jammed the schools in the 1950s and early 1960s, defined the "youth culture" of the 1960s and 1970s, crowded into the workforce in the 1970s and early 1980s, and

Table VI-5
Selected U.S. Economic Indicators—1959 to 2000

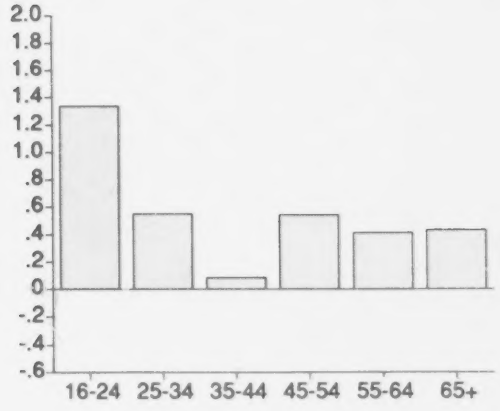
| | | | | | | | | *Average annual percent change* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | *1959* | *1969* | *1979* | *1989* | *1995* | *2000* | *1960s* | *1970s* | *1980s* | *1990s* |
| Gross national product | $ Bil | 495.8 | 963.9 | 2508.2 | 5234.0 | 7716.3 | 10945.8 | 6.9 | 10.0 | 7.6 | 6.9 |
| Real GNP | 82$ Bil | 1629.1 | 2423.3 | 3192.4 | 4144.1 | 4851.7 | 5624.6 | 4.1 | 2.8 | 2.6 | 2.8 |
| Personal income | $ Bil | 390.7 | 772.9 | 2034.0 | 4427.3 | 6588.2 | 9361.6 | 7.1 | 10.2 | 8.1 | 7.0 |
| Savings rate (% of DPI) | Pct | 6.3 | 6.4 | 6.8 | 5.4 | 5.7 | 5.9 | | | | |
| Profits before tax | $ Bil | 52.6 | 87.2 | 257.2 | 290.6 | 411.1 | 583.8 | 5.2 | 11.4 | 1.2 | 6.5 |
| Implicit price deflator | 1982=100 | 30.4 | 39.8 | 78.6 | 126.3 | 159.0 | 194.6 | 2.7 | 7.0 | 4.9 | 4.0 |
| Consumer price index | * | 29.1 | 36.7 | 72.6 | 124.0 | 158.7 | 196.8 | 2.3 | 7.1 | 5.5 | 4.3 |
| **Labor market** | | | | | | | | | | | |
| Civilian pop. 16 & over | Mil | 115.3 | 134.3 | 164.9 | 186.6 | 197.0 | 207.2 | 1.5 | 2.1 | 1.2 | 1.0 |
| Labor force | Mil | 68.4 | 80.7 | 105.0 | 123.8 | 133.5 | 142.0 | 1.7 | 2.7 | 1.7 | 1.3 |
| Participation rate | Pct | 59.3 | 60.1 | 63.7 | 66.4 | 67.8 | 68.5 | | | | |
| Civilian employment | Mil | 64.6 | 77.9 | 98.8 | 117.4 | 126.7 | 134.9 | 1.9 | 2.4 | 1.7 | 1.3 |
| Unemployment | Mil | 3.7 | 2.8 | 6.1 | 6.5 | 6.8 | 7.1 | | | | |
| Unemployment rate | Pct | 5.5 | 3.5 | 5.8 | 5.2 | 5.1 | 5.0 | | | | |
| Nonfarm w&s employment | Mil | 53.3 | 70.4 | 89.8 | 108.6 | 118.7 | 127.6 | 2.8 | 2.5 | 1.9 | 1.5 |
| % of civilian empl. | Pct | 82.4 | 90.4 | 90.9 | 92.5 | 93.7 | 94.6 | | | | |
| Output per hour | 1977=100 | 69.0 | 88.1 | 99.5 | 112.5 | 123.0 | 135.2 | 2.5 | 1.2 | 1.2 | 1.7 |

* 1982-84 = 100

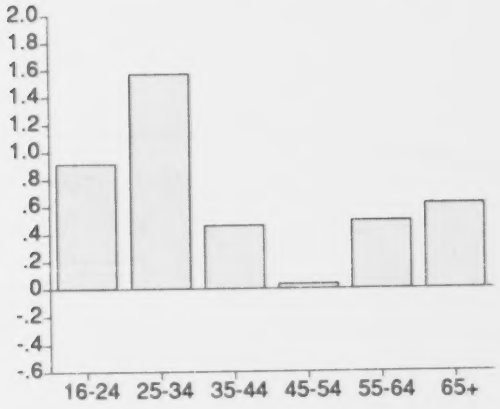
Forecast: California Department of Finance

Change in California Adult Population
By Age Group
(In millions)

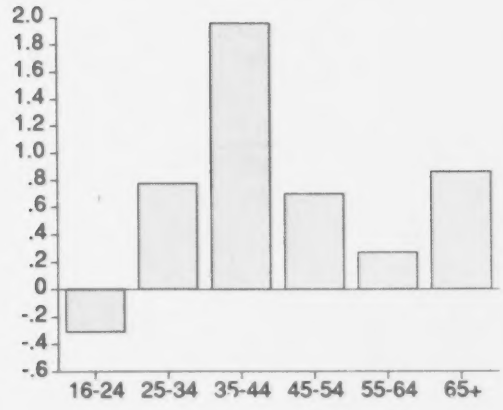
The 1960s



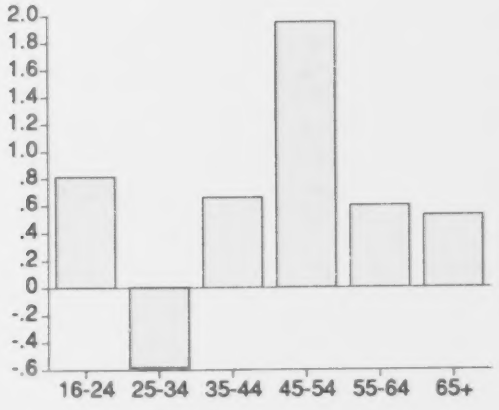

The 1970s




The 1980s




The 1990s



are now looking ahead to middle age. In 1996, they will begin to turn 50.

The baby boom has had subtle but nonetheless powerful effects on economic policy in this country. Massive labor force growth and resulting historically high unemployment rates made it virtually impossible for policy makers to contain inflation during the 1970s. Policy, whether consciously or not, was clearly aimed at providing as many jobs for as many people as possible, at almost any cost. The stagnation in productivity during the 1970s was certainly due in part to the vast increase of young, inexperienced workers in the labor force.

Over a ten year span, demographic forces are fairly easy to track in economic terms, since anyone who will be in the workforce is already born. For the nation, it is necessary to make some assumptions about immigration—the mid-range Census series, based on current law, is most commonly used even though it has generally been proven somewhat low. However, even using the higher immigration assumption affects national labor force growth by less than 0.1 percent a year.

The size of the military is also important, and perhaps caught up in the spirit of the moment, it is assumed here that U.S. armed forces will decline from 2.1 million to 1.6 million by the mid-1990s. Even projections of labor force participation have not been too difficult since the massive shift of mostly younger women into the workforce began in the early 1960s. Women's labor force participation, which in under 45 age groups now approaches the rate for men, is assumed to rise slowly through the decade. The rate of decline in participation among men over 50 is assumed to slow slightly, reversing a trend evident since the end of World War II.

Despite the ongoing rise in participation rates, labor force growth will continue to slow in the 1990s. After reaching 2.7 percent in the 1970s, as the peak of the baby boom entered the workforce, growth in the 1980s fell to 1.7 percent and is expected to average 1.3 percent in the decade ahead. However, as the last of the 1965-76 "baby bust" generation enters the workforce between now and 1995, labor force growth will probably fall short of 1 percent annually. A larger crop of young workers will begin to arrive around 1995, easing the labor shortage for traditional employers of teenagers.

The small depression era generation will reach their sixties in the decade ahead, and labor force losses to retirement will therefore slow. This could be offset by early retirement among older boomers, especially after 1995. However, it is assumed that rising real wages—resulting from chronically tight labor markets—longer life spans and concerns over the adequacy of pensions will persuade the growing over 50 group to stay in the labor force.

In light of the slowdown in labor force growth, the thrust of labor policy is beginning to shift. Since the 1930s depression, economic policy in this country has been obsessed with providing enough jobs for a growing adult population. Now the problem seems to be finding enough qualified people to fill the available job openings. Immigration policy as well as education are now central to this new focus.

**Productivity.** Most longer term prognosticators agree, within a tenth of a percentage point or so, on the likely trend of labor force growth in the new decade. The biggest differences of opinion arise over the other major long run determinant of economy growth: the trend of productivity. The more pessimistic view holds that productivity gains are likely to be little better in the 1990s than they were in the 1970s and 1980s.

To a degree, the decade productivity measures for the 1970s and 1980s are a bit misleading. The productivity collapse associated with the 1970s actually occurred between 1973 and 1982, when output per hour of work increased by an average of only 0.1 percent per year. The 1.3 percent average increases for both decades reflect gains in the early 1970s and the period from 1983 to 1989. Thus, to many observers, the rebound in productivity has already occurred, and gains from here on are likely to be painfully slow.

This view is bolstered by the relative growth in service producing activities, where productivity gains are

Table VI-6
Selected Indicators—Ten Year Averages

| | | *1960–1969* | *1970–1979* | *1980–1989* | *1990–2000* |
|---|---|---|---|---|---|
| Three month T-bill | Pct | 4.00 | 6.31 | 8.87 | 6.25 |
| Federal funds | Pct | 4.18 | 7.10 | 9.97 | 7.00 |
| Bank prime rate | Pct | 5.28 | 8.09 | 11.85 | 9.00 |
| Conventional mortgage | Pct | 6.34 | 8.92 | 12.71 | 9.25 |
| Housing starts | Mil | 1.41 | 1.76 | 1.50 | 1.45 |
| Unit new car sales | Mil | 8.2 | 10.1 | 9.8 | 10.0 |
| Unit light truck sales | Mil | 1.1 | 2.4 | 3.0 | 3.4 |
| Total cars + trucks | Mil | 9.3 | 12.5 | 12.9 | 13.4 |

Forecast: California Department of Finance

virtually impossible to measure. Thus, the argument goes, even if further productivity gains are achieved, they are unlikely to be recognized.

The reasons for the dismal productivity performance of the 1973 to 1982 period are not fully understood, but there seems to be agreement that three factors probably contributed to the shortfall: the flood of young, relatively inexperienced workers into the labor force; the diversion of investment to energy conservation and pollution control; and the failure of total investment spending to keep pace with labor force growth. The capital/labor ratio—which can be thought of as the quantity of tools per worker—did not grow, and productivity stalled.

The more optimistic view of productivity growth suggests that these forces will reverse in the 1990s. The labor force will be older and more experienced—that much is certain, given demographics. The labor force will grow more slowly, hence the capital to labor ratio will improve. This is a key point. Productivity optimists believe that the relatively short supply of labor will virtually dictate an increase in the capital to labor ratio—the substitution of capital for labor, reversing the 1970s experience. The pessimistic view holds that real investment growth will decline in line with the labor force trend. Finally, while energy efficiency and environmental improvement will continue to be major elements in investment outlays, the major shift in spending patterns has now occurred, and will therefore not be a major factor at the margin.

This projection takes a guardedly optimistic view, and assumes modest productivity improvement, to 1.7 percent annually, up from 1.3 percent in the 1980s. This coupled with 1.3 percent labor force growth yields potential GNP growth of a little over 3 percent per year. Even allowing a 0.3 percent reduction in growth to cover losses incurred during the inevitable recession, real GNP growth averaging 2.8 percent per year would seem to be very much in reach. This would actually represent a small improvement over the 2.6 percent average growth rate of the 1980s.

A less optimistic alternative would include labor force growth of little more than 1 percent annually—a product of smaller gains in labor force participation and less immigration—productivity growth of about 1.4 percent, less the same 0.3 percent loss to cyclical fluctuations. This yields annual GNP growth of 2.2 percent, the worst since the 1930s.

Thus, seemingly small differences in assumptions regarding productivity and labor force can make substantial differences in a long range forecast. By the year 2000, the more moderate scenario yields a level of real GNP $350 billion (1982 $) less than the projection used here.

There are obviously a large number of unknowns in any long term outlook. Will Eastern Europe continue down the road to economic independence, and if so what will the implications be for the United States? The region will require massive investment to bring its capital stock up to date, and could be a large market for U.S. made equipment and machines. But, there is already some evidence that capital requirements associated with this re-industrialization may result in higher world interest rates than might otherwise obtain. A well educated, skilled and relatively low paid workforce might intensify competition on U.S. firms. What of Hong Kong? Will it remain an economic "free zone" within mainland China after 1997, when the British turn over the colony to Bejing?

How long will it take for Latin America's economies to get back on the road to rising living standards? The underlying financial problems of the early 1980s have still not been resolved. Will the 1990s see a North American "common market", including Canada, the United States and Mexico as well? Given declining U.S. production and rising consumption and imports, energy could easily reemerge as a problem in the decade ahead.

**Inflation and Monetary Policy.** Will the Federal Reserve succeed in achieving its goal of removing inflation as a factor in decision making? As noted earlier, in practical terms, this goal probably means something on the order of 1-1/2 percent CPI increases, and 1 percent in the gross national product deflator. By comparison, in the 1960s— generally considered a period relatively stable prices—the CPI averaged 2.7 percent and deflator 2.3 percent annually. The task will certainly be made easier if productivity growth improves, allowing faster increases in living standards, as wage increases are at least partially offset by increased output per hour.

The reduced pressure to expand the number of jobs in the economy will also provide the Fed some breathing room, since even during recessions the jobless rate is unlikely to rise much above the 6-1/2 to 7 percent range. In addition, an older population looking forward, perhaps somewhat apprehensively, to retirement may prove less tolerant of policies which erode the value of savings and fixed pension payments.

Somewhat less reassuring is the fact that even with energy prices declining on average during the last seven years, core inflation stabilized at around 4 percent. With the energy supply/demand balance gradually shifting toward tighter supplies—and thus higher prices—the task of containing inflation may become more difficult, especially in the latter years of the decade.

The central bank can always elect to offset price increases of any good or service, by simply holding fast to its longer run money supply targets. But a sudden or sharp rise in a basic commodity price such as energy

can only be offset at the cost of considerable short term disruption in the rate of economic growth. Past experience suggests that policy makers will choose to cushion the blow, and postpone the inflation battle to another day.

This outlook takes the view that there will be modest improvement in inflation, but success will not be complete. Consumer prices are assumed to average 4.3 percent annual increases, down from 5.5 percent in the 1980s. The GNP deflator is projected at 4 percent per year, compared to 4.9 percent over the past decade.

Although there will continue to be the customary cyclical ups and downs, interest rates should generally decline in the 1990s. In the long end of the market, inflation premiums will gradually erode if the rise in prices is indeed contained in the 4 to 4- 1/2 percent range. Treasury bond yields, which historically have averaged two to three percentage points higher than inflation, should eventually yield about 7 percent. Fixed rate mortgages of around 9 percent are a reasonable expectation. Shorter term interest rates might average 6 to 7 percent, implying a degree of restraint in monetary policy.

**Fiscal Policy.** The Federal budget can be balanced, and most projections expect it to be by the late 1990s. The possibility that defense spending will now decline around 4 percent of GNP by the late 1990s makes the task easier. In these circumstances, the budget would likely be balanced sometime after 1995. Tax and spending assumptions for the year 2000 include modest reductions in personal, corporate and payroll tax rates and small increases in nondefense spending, such that the budget remains balanced.

Federal purchases of goods and services are assumed unchanged in real terms, with declining defense outlays not quite offset by increases nondefense spending. Lower unem-

Table VI-7
Real Gross National Product
**($1982, billions)**

| | | | | | | | *Average annual percent change* | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *1959* | *1969* | *1979* | *1989* | *1995* | *2000* | *1960s* | *1970s* | *1980s* | *1990s* |
| Real GNP | 1629 | 2423 | 3192 | 4144 | 4852 | 5625 | 4.1 | 2.8 | 2.6 | 2.8 |
| Consumption | 979 | 1457 | 2004 | 2670 | 3129 | 3568 | 4.0 | 3.2 | 2.9 | 2.7 |
| Durable goods | 97 | 168 | 267 | 425 | 535 | 663 | 5.6 | 4.7 | 4.8 | 4.1 |
| Autos & parts | 47 | 80 | 119 | 178 | 219 | 262 | 5.4 | 4.0 | 4.1 | 3.6 |
| Nondurable goods | 456 | 617 | 767 | 917 | 1008 | 1081 | 3.1 | 2.2 | 1.8 | 1.5 |
| Services | 427 | 672 | 971 | 1328 | 1585 | 1824 | 4.6 | 3.8 | 3.2 | 2.9 |
| Private investment | 270 | 410 | 575 | 721 | 879 | 1066 | 4.3 | 3.4 | 2.3 | 3.6 |
| Fixed investment | 254 | 385 | 560 | 699 | 849 | 1030 | 4.3 | 3.8 | 2.2 | 3.6 |
| Nonresidential | 154 | 270 | 399 | 510 | 642 | 805 | 5.8 | 3.7 | 2.7 | 4.2 |
| Structures | 72 | 113 | 131 | 120 | 131 | 153 | 4.6 | 1.5 | −0.8 | 2.2 |
| Equipment | 82 | 157 | 259 | 390 | 511 | 652 | 6.7 | 5.1 | 4.2 | 4.8 |
| Residential | 100 | 115 | 171 | 189 | 206 | 225 | 1.4 | 4.0 | 1.0 | 1.6 |
| Inventory change | 17 | 25 | 15 | 22 | 31 | 36 | | | | |
| Net exports | −18 | −35 | 4 | −53 | −29 | 35 | | | | |
| Exports | 84 | 165 | 357 | 589 | 822 | 1089 | 7.0 | 8.0 | 5.1 | 5.8 |
| Imports | 102 | 200 | 353 | 642 | 850 | 1055 | 7.0 | 5.9 | 6.2 | 4.6 |
| Government purchases | 398 | 591 | 609 | 806 | 872 | 956 | 4.0 | 0.3 | 2.8 | 1.6 |
| Federal | 222 | 296 | 236 | 337 | 328 | 328 | 2.9 | −2.2 | 3.6 | −0.2 |
| Defense | 193 | 240 | 164 | 257 | 240 | 231 | 2.2 | −3.7 | 4.6 | −0.9 |
| Nondefense | 28 | 56 | 72 | 81 | 88 | 97 | 7.1 | 2.5 | 1.1 | 1.7 |
| State & local | 176 | 296 | 373 | 469 | 544 | 628 | 5.3 | 2.4 | 2.3 | 2.7 |

Source: U.S. Department of Commerce
California Department of Finance

ployment and slower growth in the older population results in slightly lower growth in transfer payments during the decade.

State and local governments are under near term budget pressures, which will slow growth in the early years of the new decade. Rising school enrollments will exert increasing pressure on spending as the decade unfolds. State and local spending is expected to average 2.7 percent growth in real terms, in line with the overall rise in GNP.

**Household Spending and Income.** The aging population will have an impact on the pattern of consumer spending. Overall, consumption growth is not expected to be markedly different from the 1980s experience, rising an average 2.7 percent in real terms against 2.9 percent annually in the last decade. However, the aging population will probably purchase fewer durable goods, having already furnished their homes. Sales of cars and trucks will represent almost exclusively replacement demand, and toward the end of the decade, cars will probably rise in popularity relative to trucks and vans, as empty nest households will have fewer people and things to haul.

Clothing makers have already discovered that older consumers are less prone to fads, and more willing to postpone purchases until they find agreeable, generally more conservative fashion trends. In services, spending on entertainment will take a smaller share of the aggregate household budget. Health care will continue to take a larger bite, and the trend toward higher insurance deductibles will also probably continue, as employers strive to contain benefit costs.

With the peak of the baby boom generation now in its early to mid thirties, the demand for larger houses will remain strong. Apartments and smaller homes will be in less demand, reflecting weak growth among young adults as well as those approaching retirement age. With the total number of households expanding relatively slowly, residential investment will remain one of the weaker sectors of the economy. Housing starts will do well to average 1,450,000 per year.

Toward the end of the decade, there may be some pickup in demand for rental units, as the young adult population starts to grow again. At the same time, older baby boomers, approaching their mid-fifties, may start to seek smaller housing units.

Personal income growth will slow somewhat, reflecting the trends in the working age population. Income gains are expected to average 7 percent per year, down from 8.1 percent in the 1980s. Real per capita income—the best measure of living standards—would rise somewhat more in the 1990s than in the last two decades.

The savings rate is expected to rise slowly, but the largest increase in savings is more likely to occur after the turn of the century. Savings are usually highest in the 10 to 15 years just before retirement, a time when household income often reaches a peak but spending on such items as education, home furnishings and entertainment generally declines. The late 1990s will see only the beginnings of this trend among the large postwar generation.

**Business Investment.** Real business fixed investment is forecast to expand more than 4 percent annually, up from 2.8 percent yearly growth in 1980s. Equipment outlays will remain strong, averaging almost 5 percent growth, following 4.2 percent gains in the previous decade. Nonresidential structures will be weak in the early part of the decade, as the oversupply of office space is gradually absorbed. By the mid-1990s, markets should tighten sufficiently to support renewed growth in nonresidential construction.

## California in the 1990s

Economic growth in California should continue to outpace the nation in the decade ahead. Gross state product will pass the trillion dollar mark by mid decade. Personal income, now 13 percent of the national total, will approach 14 percent by the year 2000. Employment and population will both exceed one- eighth of the nation.

California's prospects are enhanced by a diverse economic base, that includes heavy representation of goods and service producing industries which are likely to be among the fastest growing in the decade ahead. These include not only high technology manufacturing, but business services, computer systems and software, engineering and business consulting, the professions and finance. The state's position as the major U.S. window to the rapidly growing economies of the Pacific Rim will also play a continuing positive role in the state's economic growth.

**The Defense Budget and California.** Will defense budget cuts have a major impact on the California economy? This forecast assumes that defense spending will decline from over 6 percent of GNP last year to 5 percent by 1995 and just 4.2 percent in 2000. Because 20 percent of the defense dollar is spent in California—nearly twice the state's share of the nation's economy—it stands to reason the effects will fall disproportionally here.

The effects will probably be considerably less than commonly supposed. Defense has not been a contributor to growth in California since the mid-1980s, and has actually been declining since 1987, while the state's overall economy continued to outperform the nation by a wide margin. Economic diversification has served to cut the relative importance of defense outlays on California by half since the late 1960s.

In most instances, other activities have replaced defense spending in the economy. Indeed, it may be well to ask whether the presence of a large defense industry might be displacing other forms of economic activity in the state. For example, if defense related aircraft manufacturing remained at, say, the 1985 or 1986 level through the end of the decade, would California be participating as fully in the commercial aircraft boom? The answer will never be known, but it is likely that the industry would have run into labor and capacity constraints, forcing some of the commercial work into other markets.

Similar questions should be asked with regard to the possible military base closings. Could the land and labor now devoted to an Alameda Navel Air Station or Los Angeles Air Force Base be more profitably employed in some private activity? Clearly, in the state's large urban areas, both land and labor are in short supply, and opening such facilities up for private development could provide local economies a shot in the arm.

In this regard, those interested in minimizing the negative economic impacts of any possible base closings would do well to insure a smooth transition from military to civilian use. This will not always be easy, since there are many differing views as to the best use for the facilities, and there may be a costly and time consuming cleanup process in some instances.

But in many cases, the base closings could easily become an economic opportunity, rather than a problem. An exception could well be made in the case of Fort Ord, which is a major part of the relatively isolated Monterey County economy. Although private development could eventually take the place of the military, given the size of the installation within the local economy, it would be difficult to avoid disruption.

**California Population.** In California, migration assumptions are far more important than for the nation as a whole. During the recent population spurt, net migration has accounted for well over half the annual gains in new residents. The spurt was unexpected, but it will probably not continue indefinitely. As noted previously, California's population surge results in part from sluggish economic conditions in other regions of the West. The flow of new residents into California is relatively stable. But there is also an outflow, usually to the Mountain and Southwestern regions, as well as the Pacific Northwest. In recent years, out migration to Texas, Arizona and neighboring states has slowed markedly. Recovery in these economies, likely in the 1990s, should result in lower growth in California.

A second reason to expect slower net migration relates to the aging of the population. Migration is much more likely to occur among younger age groups. With the 25 to 34 year old population declining in absolute terms, migration to all areas of the country is likely to slow.

Immigration from abroad is a big question mark for California. The state has attracted a very large share of Asian and Latin American immigrants in recent years. Should the flow of these imrnigrants remain higher than contemplated by current law and Census Bureau mid range assumptions, population growth could be considerably more than assumed here. Such elements as developments in Hong Kong, the possibility of a North American common market to include Mexico, or significant change in immigration laws—as alluded to in the 1990 Economic Report of the President —could all contribute to a higher rate of population growth than now seems likely.

Finally, it is assumed that the baby boom "echo"—reflecting births to the more numerous baby boom generation—has run it course as the post war generation move into its forties and fifties. With the smaller baby bust generation now entering child bearing age groups, the birth rate will be declining throughout the decade.

All told, California's population is projected to grow by 4.8 million over the next ten years, reaching 34.4 million by the turn of the century.

**California Labor Force Trends.** Thanks to the late decade surge of migration, California did not experience the dramatic slowing in labor market growth evident in the national data. The state's labor force expanded by 2.6 percent annually in the 1980s, only marginally less than the 3 percent average annual gain of the previous decade. In the 1990s, even assuming further increases in labor force participation and a declining military population, California's labor force growth is expected to drop to less than 2 percent annually. Higher foreign immigration would obviously boost this growth rate.

Unemployment is assumed to be fairly constant at around 5 percent of the workforce, ignoring any short-term cyclical fluctuations which are still likely to occur from time to time. Given the age composition of the population, however, somewhat lower rates of unemployment could probably be sustained without causing undue pressure on wages. This may be so because of the low representation of teens and young adults, who usually have higher unemployment rates. This will be especially true during the first half of the decade.

Thus, although civilian employment growth is assumed to match the 1.9 percent growth in the civilian labor force, there is potential for employment growth of slightly more than 2 percent annually.

Nonfarm wage and salary employment is projected to grow 2.2 percent per year, somewhat faster than the civilian figures, but less than the

Table VI-8
California Labor Market and Employment
**(In thousands)**

| | 1959 | 1969 | 1979 | 1989 | 1995 | 2000 | Average annual percent change 1960s | 1970s | 1980s | 1990s |
|---|---|---|---|---|---|---|---|---|---|---|
| Labor force | 6104 | 8388 | 11268 | 14518 | 16273 | 17800 | 3.2 | 3.0 | 2.6 | 1.9 |
| Participation rate (%) | 58.5 | 60.4 | 65.5 | 67.7 | 68.8 | 69.4 | | | | |
| Civilian employment | 5812 | 8016 | 10566 | 13780 | 15459 | 16928 | 3.3 | 2.8 | 2.7 | 1.9 |
| Unemployment | 292 | 372 | 702 | 737 | 814 | 872 | 2.5 | 6.6 | 0.5 | 1.5 |
| Unemployment rate (%) | 4.8 | 4.4 | 6.2 | 5.1 | 5.0 | 4.9 | | | | |
| Nonfarm w&s employment | 4775 | 6932 | 9665 | 12575 | 14500 | 16030 | 3.8 | 3.4 | 2.7 | 2.2 |
| Mining | 32 | 33 | 39 | 40 | 39 | 40 | 0.1 | 1.9 | 0.2 | −0.2 |
| Construction | 308 | 311 | 449 | 647 | 708 | 766 | 0.1 | 3.7 | 3.7 | 1.5 |
| Manufacturing | 1313 | 1661 | 2013 | 2165 | 2244 | 2358 | 2.4 | 1.9 | 0.7 | 0.8 |
| Durable goods | 888 | 1140 | 1369 | 1447 | 1473 | 1556 | 2.5 | 1.8 | 0.6 | 0.7 |
| Nondurable goods | 425 | 522 | 644 | 718 | 771 | 802 | 2.1 | 2.1 | 1.1 | 1.0 |
| Transportation & utilities | 355 | 471 | 535 | 604 | 641 | 664 | 2.9 | 1.3 | 1.2 | 0.9 |
| Trade | 1031 | 1493 | 2224 | 2984 | 3460 | 3766 | 3.8 | 4.1 | 3.0 | 2.1 |
| Wholesale trade | 283 | 377 | 564 | 768 | 875 | 952 | 2.9 | 4.1 | 3.1 | 2.0 |
| Retail trade | 748 | 1116 | 1660 | 2216 | 2585 | 2814 | 4.1 | 4.0 | 2.9 | 2.2 |
| Finance | 226 | 358 | 596 | 835 | 951 | 1050 | 4.7 | 5.2 | 3.4 | 2.1 |
| Services | 677 | 1223 | 2075 | 3298 | 4322 | 5031 | 6.1 | 5.4 | 4.7 | 3.9 |
| Government | 832 | 1392 | 1735 | 2002 | 2210 | 2391 | 5.3 | 2.2 | 1.4 | 1.6 |
| Federal | 250 | 337 | 323 | 357 | 368 | 377 | 3.0 | −0.4 | 1.0 | 0.5 |
| State & local | 583 | 1054 | 1412 | 1645 | 1842 | 2014 | 6.1 | 3.0 | 1.5 | 1.9 |

Source: California Employment Development Department
California Department of Finance

average of the prior decade. In the 1980s, both civilian employment and payroll jobs advanced at the same average rate of 2.7 percent. In the 1960s and 1970s, however, payroll jobs grew faster than civilian employment. Given conservative assumptions regarding unemployment and immigration, a somewhat higher growth rate in payroll jobs would appear justified.

**Sector Outlook.** Each of the major nonfarm industry sectors in California is expected to outperform the nation in the 1990s. Manufacturing growth is projected to grow a little less than 1 percent per year, about four times faster than the national advance. Of the five manufacturing industries projected to be fastest growing in the 1990s, four—electrical machinery, instruments, nonelectrical equipment and transportation equipment—are overrepresented in the California economy.

Construction employment gains will probably slow to about 1- 1/2 percent annually, following two decades of near 4 percent growth. Contrary to the national experience, homebuilding activity is expected to remain relatively strong, averaging 210,000 annually. Current population levels probably require up to 300,000 additional units of housing, or 30,000 per year over the decade. Projected household growth will generate another 160,000 units of demand annually, while replacement needs are on the order of 20,000 per year. Nonresidential construction will be weaker early in the decade, but strengthen later on.

Productivity gains will continue to hold down employment growth in the transportation and utilities sector. Trade and finance, insurance and real estate will grow in line with population. The service industries will again be the fastest growing in

the 1990s, with gains in business services and the professions leading the way.

**California Income.** Personal income growth is expected to average just under 8 percent annually, reaching $1.3 trillion by the turn of the century. Although income gains are expected to be less than during the 1980s in nominal terms, like the nation, Californians should enjoy better gains on a per capita basis, after adjusting for inflation.

Wages are expected increase 7-1/2 percent annually, slightly less than the rise in total income. Average wages per worker are projected to rise a little more than a 5 percent rate, compared to 6 percent in the 1980s. Average wages would exceed $47,000 per year by 2000, compared to slightly more than $27,000 in 1989. Real wages should increase almost a half percent per year more than in the 1980s, reflecting the projected lower rate of inflation and continued low unemployment rate. Other labor income (fringe benefits) are expected to grow slightly faster than wages, as health insurance costs escalate.

Proprietors' income is projected to rise somewhat more in the 1990s than in the past decade, and slightly exceed the overall pace of income growth. Property income will also rise faster than overall income, but will probably not match the 1980s advance. Lower interest rates are expected to dampen gains in interest income. The 1989 to 2000 comparison of rental income is flattered to a considerable degree by the effects of the earthquake on the 1989 figure. Moreover, rental income can be dramatically affected by relatively minor changes in estimates of depreciation in the national income accounts.

Inflation will probably continue to average about 0.1 to 0.2 percent more than the nation, mainly reflecting higher housing costs. Although fundamental market forces argue against another major explosion in home prices, continued growth in population, coupled with the ongoing upgrading of the existing housing stock, will probably result in home prices rising slightly faster than overall inflation throughout the 1990s. In many other areas of the country, home prices may not keep pace with inflation during this decade.

**Geography of Growth.** In percentage terms, the inland areas of California will continue to experience the more vigorous economic and population growth. These are the areas with sufficient land on which to build affordable housing, and where jobs will eventually catch up with the population movements.

In particular, job growth in the Riverside-San Bernardino area lagged well behind population gains in the 1980s. The decade ahead

Table VI-9
California Personal Income
**($ billions)**

| | | | | | | | *Average annual percent change* | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *1959* | *1969* | *1979* | *1989* | *1995* | *2000* | *1960s* | *1970s* | *1980s* | *1990s* |
| Personal income | 41.8 | 88.4 | 244.8 | 571.8 | 896.7 | 1299.4 | 7.8 | 10.7 | 8.9 | 7.8 |
| Wages and salaries | 27.5 | 57.9 | 146.7 | 342.1 | 525.6 | 755.9 | 7.7 | 9.7 | 8.8 | 7.5 |
| Other labor income | 1.0 | 3.1 | 14.0 | 32.6 | 51.0 | 74.8 | 12.0 | 16.3 | 8.8 | 7.9 |
| Proprietors' income | 5.7 | 9.0 | 25.9 | 51.1 | 80.2 | 116.7 | 4.7 | 11.1 | 7.0 | 7.8 |
| Farm | 0.9 | 1.0 | 3.2 | 4.5 | 6.6 | 8.5 | 1.2 | 12.9 | 3.3 | 6.0 |
| Nonfarm | 4.8 | 8.1 | 22.7 | 46.6 | 73.6 | 108.2 | 5.3 | 10.9 | 7.5 | 8.0 |
| Property income | 5.9 | 12.5 | 35.6 | 98.1 | 159.8 | 231.8 | 7.9 | 11.0 | 10.7 | 8.1 |
| Rent | na | 2.6 | 2.2 | 1.5 | 4.5 | 5.9 | na | −1.9 | −3.9 | 13.6 |
| Dividends | na | 2.4 | 5.4 | 13.6 | 20.1 | 31.5 | na | 8.6 | 9.6 | 7.9 |
| Interest | na | 7.5 | 27.9 | 83.0 | 135.3 | 194.4 | na | 14.1 | 11.5 | 8.1 |
| Transfer payments | 2.7 | 9.0 | 32.1 | 75.3 | 123.3 | 181.3 | 12.6 | 13.5 | 8.9 | 8.3 |
| Residence adjustment | −0.1 | −0.0 | 0.1 | 0.3 | 0.4 | 0.5 | | | | |
| Less: Contributions for social insurance | 0.9 | 3.2 | 9.7 | 27.6 | 43.6 | 61.6 | 12.9 | 11.8 | 11.1 | 7.6 |

Source: U.S. Department of Commerce
California Department of Finance

should see jobs following the population influx into the Inland Empire. Likewise, job gains in Solano County and the eastern portions of Alameda and Contra Costa counties should remain vigorous. Bay Area housing pressures will continue to boost population in San Joaquin and Stanislaus counties, although job growth may not keep pace initially.

Sacramento, Fresno and Bakersfield are examples of more independent metropolitan areas with sufficient critical mass of private and public infrastructure to attract new enterprise on their own. Like the inland regions of Southern California and the Bay Area, these more independent economies benefit from affordable housing and relatively plentiful land resources. But while growth in the inland reaches of Southern California and the Bay Area most often result from the spreading out of the large urban region in a jobs-follows-population pattern, employment and population gains are usually more balanced in these Central Valley economies. The Central Valley retains many of the advantages of "sun belt" life style and living costs. Population in excess of 4.3 million is larger than any far western state except California and Washington.

The slowdown in population growth will be most evident in the densely populated coastal areas. It is doubtful, for example, that Los Angeles County will add another 1.2 million residents in the 1990s. The central Bay Area will continue to grow slowly. Population gains in Orange and San Diego counties will probably be less than in the 1980s.

State and local government will be challenged to provide for growth in an orderly fashion. Transportation, education, water and environmental quality will all remain priority issues in the decade ahead.

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TABLE 1

**POPULATION OF THE UNITED STATES AND CALIFORNIA, 1960–89 [a]**

| Year (July 1) | United States [1] | California [2] | California as percent of United States | Percent change | |
|---|---|---|---|---|---|
| | | | | United States | California |
| 1960 | 179,979,000 | 15,863,000 | 8.8 | 1.6 | 3.8 |
| 1961 | 182,973,000 | 16,412,000 | 9.0 | 1.7 | 3.5 |
| 1962 | 185,738,000 | 16,951,000 | 9.1 | 1.5 | 3.3 |
| 1963 | 188,438,000 | 17,530,000 | 9.3 | 1.5 | 3.4 |
| 1964 | 191,085,000 | 18,026,000 | 9.4 | 1.4 | 2.8 |
| 1965 | 193,460,000 | 18,464,000 | 9.5 | 1.2 | 2.4 |
| 1966 | 195,501,000 | 18,831,000 | 9.6 | 1.1 | 2.0 |
| 1967 | 197,374,000 | 19,174,700 | 9.7 | 1.0 | 1.8 |
| 1968 | 199,312,000 | 19,432,000 | 9.7 | 1.0 | 1.3 |
| 1969 | 201,306,000 | 19,744,700 | 9.8 | 1.0 | 1.6 |
| 1970 | 203,984,000 | 20,039,000 | 9.8 | 1.3 | 1.5 |
| 1971 | 206,827,000 | 20,346,000 | 9.8 | 1.4 | 1.5 |
| 1972 | 209,284,000 | 20,585,000 | 9.8 | 1.2 | 1.2 |
| 1973 | 211,357,000 | 20,869,000 | 9.9 | 1.0 | 1.4 |
| 1974 | 213,342,000 | 21,174,000 | 9.9 | 0.0 | 1.5 |
| 1975 | 215,465,000 | 21,538,000 | 10.0 | 1.0 | 1.7 |
| 1976 | 217,563,000 | 21,936,000 | 10.1 | 1.0 | 1.8 |
| 1977 | 219,760,000 | 22,352,000 | 10.2 | 1.0 | 1.9 |
| 1978 | 222,095,000 | 22,836,000 | 10.3 | 1.1 | 2.2 |
| 1979 | 224,567,000 | 23,257,000 | 10.4 | 1.1 | 1.8 |
| 1980 | 227,255,000 | 23,780,000 | 10.5 | 1.2 | 2.2 |
| 1981 | 229,637,000 | 24,267,000 | 10.6 | 1.0 | 2.0 |
| 1982 | 231,996,000 | 24,786,000 | 10.7 | 1.0 | 2.1 |
| 1983 | 234,284,000 | 25,309,000 | 10.8 | 1.0 | 2.1 |
| 1984 | 236,477,000 | 25,780,000 | 10.9 | 0.9 | 1.9 |
| 1985 | 238,736,000 | 26,358,000 | 11.0 | 1.0 | 2.2 |
| 1986 | 241,107,000 | 26,999,000 | 11.2 | 1.0 | 2.4 |
| 1987 | 243,419,000 | 27,655,000 | 11.4 | 1.0 | 2.4 |
| 1988 | 245,807,000 | 28,323,000 | 11.5 | 1.0 | 2.4 |
| 1989 | 248,239,000 | 29,063,000 | 11.7 | 1.0 | 2.6 |

[a] Includes members of the Armed Forces stationed in the area.

[1] Source: 1960–1989 U.S. Bureau of the Census, Current Population Reports P-25.

[2] Source: 1960–69 California Department of Finance, Demographic Research Unit.
1970–89 U.S. Bureau of Census Current Population Reports P-25.

TABLE 2

**COMPONENTS OF CHANGE IN CALIFORNIA'S CIVILIAN POPULATION, 1960–89**

| Year (July 1) | Civilian population [1] | Net change | Net migration [2] | Natural increase [3] | Gains from military |
|---|---|---|---|---|---|
| 1960 | 15,550,000 | 586,000 | 351,000 | 231,000 | +4,000 |
| 1961 | 16,108,000 | 558,000 | 308,000 | 244,000 | +6,000 |
| 1962 | 16,634,000 | 526,000 | 306,000 | 240,000 | −20,000 |
| 1963 | 17,197,000 | 563,000 | 320,000 | 234,000 | +9,000 |
| 1964 | 17,706,000 | 509,000 | 308,000 | 230,000 | −29,000 |
| 1965 | 18,143,000 | 437,000 | 232,000 | 217,000 | −12,000 |
| 1966 | 18,459,000 | 316,000 | 179,000 | 185,000 | −48,000 |
| 1967 | 18,796,000 | 337,000 | 198,000 | 184,000 | −45,000 |
| 1968 | 19,046,000 | 250,000 | 102,000 | 176,000 | −28,000 |
| 1969 | 19,354,000 | 308,000 | 118,000 | 185,000 | +5,000 |
| 1970 | 19,663,000 | 309,000 | 96,000 | 193,000 | +20,000 |
| 1971 | 20,002,000 | 339,000 | 128,000 | 184,000 | +27,000 |
| 1972 | 20,264,000 | 262,000 | 98,000 | 144,000 | +20,000 |
| 1973 | 20,558,000 | 294,000 | 162,000 | 130,000 | +2,000 |
| 1974 | 20,874,000 | 316,000 | 182,000 | 131,000 | +3,000 |
| 1975 | 21,249,000 | 375,000 | 228,000 | 145,000 | +2,000 |
| 1976 | 21,653,000 | 404,000 | 248,000 | 153,000 | +3,000 |
| 1977 | 22,075,000 | 422,000 | 248,000 | 174,000 | — |
| 1978 | 22,566,000 | 491,000 | 314,000 | 177,000 | — |
| 1979 | 22,991,000 | 425,000 | 234,000 | 191,000 | — |
| 1980 | 23,509,000 | 518,000 | 308,000 | 210,000 | — |
| 1981 | 23,993,000 | 484,000 | 259,000 | 225,000 | — |
| 1982 | 24,498,000 | 505,000 | 266,000 | 239,000 | — |
| 1983 | 25,022,000 | 524,000 | 277,000 | 247,000 | — |
| 1984 | 25,482,000 | 460,000 | 214,000 | 246,000 | — |
| 1985 | 26,055,000 | 573,000 | 318,000 | 255,000 | — |
| 1986 | 26,693,000 | 638,000 | 357,000 | 281,000 | — |
| 1987 | 27,345,000 | 652,000 | 366,000 | 286,000 | — |
| 1988 | 28,021,000 | 676,000 | 374,000 | 302,000 | — |
| 1989 | 28,756,000 | 735,000 | 416,000 | 319,000 | — |

[1] Source: U.S. Bureau of Census.
[2] Source: California Department of Finance, Demographic Research Unit Report 89-E-6.

TABLE 3

**TOTAL POPULATION OF CALIFORNIA COUNTIES, JULY 1, 1989**

| County | Total population 7-1-89 | County | Total population 7-1-89 |
|---|---|---|---|
| Alameda | 1,261,500 | Placer | 162,900 |
| Alpine | 1,200 | Plumas | 20,300 |
| Amador | 30,000 | Riverside | 1,062,700 |
| Butte | 178,800 | Sacramento | 1,007,300 |
| Calaveras | 33,600 | San Benito | 36,200 |
| Colusa | 15,900 | San Bernardino | 1,378,800 |
| Contra Costa | 790,000 | San Diego | 2,459,500 |
| Del Norte | 21,100 | San Francisco | 727,400 |
| El Dorado | 128,900 | San Joaquin | 464,900 |
| Fresno | 635,000 | San Luis Obispo | 216,600 |
| Glenn | 24,000 | San Mateo | 637,200 |
| Humboldt | 118,700 | Santa Barbara | 350,400 |
| Imperial | 117,600 | Santa Clara | 1,454,700 |
| Inyo | 18,300 | Santa Cruz | 232,900 |
| Kern | 537,500 | Shasta | 146,600 |
| Kings | 99,300 | Sierra | 3,500 |
| Lake | 53,100 | Siskiyou | 44,500 |
| Lassen | 27,500 | Solano | 330,200 |
| Los Angeles | 8,710,400 | Sonoma | 378,200 |
| Madera | 86,100 | Stanislaus | 358,100 |
| Marin | 234,100 | Sutter | 63,500 |
| Mariposa | 15,200 | Tehama | 47,900 |
| Mendocino | 77,900 | Trinity | 14,200 |
| Merced | 175,200 | Tulare | 303,900 |
| Modoc | 9,500 | Tuolumne | 48,100 |
| Mono | 9,900 | Ventura | 664,000 |
| Monterey | 353,400 | Yolo | 136,200 |
| Napa | 108,900 | Yuba | 57,800 |
| Nevada | 80,900 | | |
| Orange | 2,301,200 | California | 29,063,200 |

Note: Revisions for prior years available on request.
Source: California Department of Finance, Demographic Research Unit.

TABLE 4

**CIVILIAN LABOR FORCE, CALIFORNIA, 1967–89**

(In thousands)

| Year and month | Labor force [a] | Employed [b] | Unemployed [c] | Percent unemployed |
|---|---|---|---|---|
| 1967 | 7,831 | 7,441 | 389 | 5.0 |
| 1968 | 8,090 | 7,724 | 366 | 4.5 |
| 1969 | 8,388 | 8,016 | 372 | 4.4 |
| 1970 | 8,167 | 7,575 | 592 | 7.3 |
| 1971 | 8,407 | 7,669 | 739 | 8.8 |
| 1972 | 8,653 | 7,996 | 656 | 7.6 |
| 1973 | 8,910 | 8,286 | 624 | 7.0 |
| 1974 | 9,317 | 8,638 | 679 | 7.3 |
| 1975 | 9,539 | 8,598 | 941 | 9.9 |
| 1976 | 9,896 | 8,990 | 906 | 9.2 |
| 1977 | 10,367 | 9,513 | 853 | 8.2 |
| 1978 | 10,911 | 10,137 | 775 | 7.1 |
| 1979 | 11,268 | 10,566 | 702 | 6.2 |
| 1980 | 11,584 | 10,794 | 790 | 6.8 |
| 1981 | 11,812 | 10,938 | 875 | 7.4 |
| 1982 | 12,178 | 10,967 | 1,210 | 9.9 |
| 1983 | 12,281 | 11,095 | 1,187 | 9.7 |
| 1984 | 12,610 | 11,631 | 980 | 7.8 |
| 1985 | 12,981 | 12,048 | 934 | 7.2 |
| 1986 | 13,332 | 12,442 | 890 | 6.7 |
| 1987 | 13,737 | 12,946 | 791 | 5.8 |
| 1988 | 14,133 | 13,385 | 748 | 5.3 |
| 1989 | 14,518 | 13,780 | 737 | 5.1 |
| Adjusted for seasonal variation | | | | |
| 1988 January | 13,957 | 13,224 | 733 | 5.3 |
| February | 14,026 | 13,271 | 755 | 5.4 |
| March | 14,000 | 13,271 | 729 | 5.2 |
| April | 14,098 | 13,375 | 723 | 5.1 |
| May | 14,125 | 13,277 | 848 | 6.0 |
| June | 14,111 | 13,347 | 764 | 5.4 |
| July | 14,099 | 13,354 | 745 | 5.3 |
| August | 14,153 | 13,369 | 784 | 5.5 |
| September | 14,144 | 13,416 | 728 | 5.1 |
| October | 14,166 | 13,445 | 721 | 5.1 |
| November | 14,304 | 13,552 | 752 | 5.3 |
| December | 14,389 | 13,696 | 693 | 4.8 |
| 1989 January | 14,382 | 13,659 | 723 | 5.0 |
| February | 14,341 | 13,613 | 728 | 5.1 |
| March | 14,329 | 13,665 | 664 | 4.6 |
| April | 14,312 | 13,556 | 756 | 5.3 |
| May | 14,503 | 13,741 | 762 | 5.3 |
| June | 14,522 | 13,725 | 797 | 5.5 |
| July | 14,623 | 13,857 | 766 | 5.2 |
| August | 14,574 | 13,899 | 675 | 4.6 |
| September | 14,661 | 13,914 | 747 | 5.1 |
| October | 14,673 | 13,955 | 718 | 4.9 |
| November | 14,653 | 13,913 | 740 | 5.1 |
| December | 14,627 | 13,854 | 773 | 5.3 |

[a] Detail may not add to total because of rounding.

[b] Includes wage and salary workers, employers, own-account workers, and unpaid family workers. Excludes workers directly involved in work stoppages who receive no pay for the payroll period which includes 12th of the month.

[c] Excludes the potential or latent supply of workers not active in the labor market and workers directly involved in work stoppages.

Source: California Employment Development Department.

TABLE 5

**WAGE AND SALARY WORKERS IN NONAGRICULTURAL ESTABLISHMENTS BY MAJOR INDUSTRY DIVISION, CALIFORNIA, 1972–89** [a] [b]

(In thousands)

| Year | Total | Mineral extraction | Construction | Manufacturing | Transportation and utilities | Trade | Finance, insurance, and real estate | Services | Government |
|---|---|---|---|---|---|---|---|---|---|
| 1972 | 7,209.9 | 29.2 | 312.4 | 1,542.7 | 454.1 | 1,608.6 | 409.3 | 1,361.0 | 1,492.7 |
| 1973 | 7,621.9 | 30.5 | 333.4 | 1,660.7 | 467.0 | 1,703.2 | 431.6 | 1,470.6 | 1,524.8 |
| 1974 | 7,834.3 | 32.7 | 317.8 | 1,701.3 | 470.7 | 1,751.9 | 444.8 | 1,529.1 | 1,586.0 |
| 1975 | 7,847.2 | 33.9 | 285.9 | 1,593.7 | 458.1 | 1,786.3 | 446.4 | 1,572.4 | 1,670.6 |
| 1976 | 8,154.2 | 34.7 | 301.3 | 1,659.8 | 463.9 | 1,875.6 | 468.7 | 1,654.6 | 1,695.6 |
| 1977 | 8,599.7 | 35.6 | 350.4 | 1,737.8 | 476.5 | 1,982.4 | 505.4 | 1,770.9 | 1,740.7 |
| 1978 | 9,199.8 | 37.1 | 401.9 | 1,884.6 | 506.5 | 2,126.0 | 553.2 | 1,937.4 | 1,753.1 |
| 1979 | 9,664.6 | 39.3 | 448.7 | 2,012.7 | 534.7 | 2,223.8 | 595.9 | 2,074.6 | 1,735.0 |
| 1980 | 9,848.8 | 43.5 | 428.3 | 2,018.2 | 546.3 | 2,266.9 | 623.1 | 2,158.8 | 1,763.9 |
| 1981 | 9,985.3 | 49.2 | 407.6 | 2,032.3 | 554.8 | 2,301.6 | 642.9 | 2,240.5 | 1,756.4 |
| 1982 | 9,810.3 | 50.4 | 349.0 | 1,957.7 | 542.8 | 2,275.3 | 642.4 | 2,257.7 | 1,735.2 |
| 1983 | 9,965.8 | 48.1 | 369.3 | 1,949.3 | 536.9 | 2,343.9 | 661.7 | 2,332.2 | 1,724.3 |
| 1984 | 10,573.8 | 50.0 | 445.2 | 2,065.5 | 554.6 | 2,507.4 | 694.2 | 2,509.5 | 1,747.4 |
| 1985 | 10,979.1 | 49.9 | 496.2 | 2,076.1 | 568.7 | 2,626.1 | 724.5 | 2,644.8 | 1,792.8 |
| 1986 | 11,258.1 | 42.6 | 531.0 | 2,069.7 | 574.6 | 2,686.4 | 763.7 | 2,751.3 | 1,838.8 |
| 1987 | 11,678.5 | 41.1 | 574.6 | 2,107.6 | 582.6 | 2,761.4 | 800.9 | 2,926.7 | 1,883.7 |
| 1988 [c] | 12,103.4 | 42.0 | 603.3 | 2,149.2 | 589.0 | 2,874.4 | 807.3 | 3,104.1 | 1,934.1 |
| 1989 | 12,521.5 | 41.6 | 643.6 | 2,158.6 | 599.5 | 2,968.4 | 836.3 | 3,271.5 | 2,002.1 |

[a] Does not include employers, own-account workers, unpaid family workers, domestic servants, and agricultural workers.

[b] Data for 1972–1987 are based on the 1972 SIC codes. 1988–89 are based on the 1987 SIC codes.

[c] Data for 1988–89 are not comparable with prior years due to SIC code changes.

(Official U.S. Bureau of Labor Statistics series. The text portion of the report uses the interim series prepared by the Department of Finance.)

Source: California Employment Development Department.

TABLE 6

**WAGE AND SALARY WORKERS[a] IN NONAGRICULTURAL ESTABLISHMENTS, BY MAJOR INDUSTRY DIVISION, SELECTED AREAS, 1988 AND 1989**

(In thousands)

| Area and year | Total | Mineral extraction | Construction | Manufacturing | Transportation and utilities | Trade | Finance, insurance, and real estate | Services | Government |
|---|---|---|---|---|---|---|---|---|---|
| **Anaheim-Santa Ana** | | | | | | | | | |
| 1988 | 1,149.4 | 1.4 | 67.6 | 258.9 | 34.2 | 286.9 | 93.7 | 289.0 | 117.8 |
| 1989 | 1,196.0 | 1.4 | 73.0 | 259.1 | 34.4 | 303.2 | 95.4 | 308.4 | 121.2 |
| **Bakersfield** | | | | | | | | | |
| 1988 | 164.2 | 14.1 | 11.0 | 10.8 | 8.0[b] | 39.3 | 6.4 | 34.1 | 40.7 |
| 1989 | 167.1 | 13.7 | 10.7 | 10.6 | 8.1[b] | 39.8 | 6.5 | 35.4 | 42.4 |
| **Fresno** | | | | | | | | | |
| 1988 | 209.4 | 0.7 | 12.1 | 23.6 | 11.7 | 54.6 | 12.1 | 48.2 | 46.5 |
| 1989 | 217.1 | 0.7 | 12.9 | 24.2 | 12.1 | 55.9 | 12.1 | 51.3 | 48.0 |
| **Los Angeles-Long Beach** | | | | | | | | | |
| 1988 | 4,096.8 | 9.5 | 146.8 | 897.7 | 207.6 | 933.6 | 281.9 | 1,114.0 | 505.6 |
| 1989 | 4,222.9 | 9.2 | 153.7 | 891.7 | 212.1 | 964.5 | 291.9 | 1,176.7 | 523.1 |
| **Modesto** | | | | | | | | | |
| 1988 | 108.5 | 0.0 | 7.3 | 23.5 | 4.5 | 28.3 | 4.7 | 22.2 | 18.0 |
| 1989 | 114.2 | 0.0 | 8.0 | 24.3 | 4.5 | 29.5 | 5.1 | 23.5 | 19.1 |
| **Oakland** | | | | | | | | | |
| 1988 | 848.5 | 3.5 | 51.1 | 110.8 | 55.7 | 208.4 | 56.0 | 202.3 | 160.8 |
| 1989 | 885.7 | 4.1 | 53.1 | 114.8 | 58.3 | 216.9 | 57.3 | 216.9 | 164.4 |
| **Oxnard-Ventura** | | | | | | | | | |
| 1988 | 216.9 | 2.6 | 14.3 | 31.4[b] | 11.2 | 54.3 | 11.1 | 50.9 | 41.1 |
| 1989 | 225.7 | 2.4 | 16.9 | 31.1[b] | 11.5 | 56.5 | 11.4 | 53.9 | 42.2 |
| **Riverside-San Bernardino** | | | | | | | | | |
| 1988 | 636.5 | 1.4 | 55.7 | 85.0 | 31.4 | 158.2 | 27.3 | 149.0 | 128.6 |
| 1989 | 682.5 | 1.4 | 65.2 | 88.4 | 33.0 | 168.8 | 28.7 | 159.3 | 137.7 |
| **Sacramento** | | | | | | | | | |
| 1988 | 573.3 | 0.7 | 34.5 | 42.3 | 25.4 | 137.5 | 36.0 | 125.1 | 171.9 |
| 1989 | 598.6 | 0.7 | 35.9 | 43.7 | 26.4 | 141.9 | 38.5 | 133.0 | 178.6 |
| **Salinas-Seaside-Monterey** | | | | | | | | | |
| 1988 | 108.1 | 0.3 | 4.6 | 9.8 | 4.8 | 28.0 | 5.8 | 27.6 | 27.2 |
| 1989 | 111.0 | 0.3 | 4.5 | 10.3 | 5.0 | 29.0 | 5.9 | 28.4 | 27.7 |
| **San Diego** | | | | | | | | | |
| 1988 | 916.6 | 0.8 | 57.4 | 130.1 | 35.1 | 223.0 | 65.0 | 242.5 | 162.8 |
| 1989 | 962.8 | 0.8 | 63.3 | 135.0 | 35.5 | 235.2 | 66.7 | 257.5 | 168.9 |

TABLE 6—Continued

**WAGE AND SALARY WORKERS [a] IN NONAGRICULTURAL ESTABLISHMENTS, BY MAJOR INDUSTRY DIVISION, SELECTED AREAS, 1988 AND 1989**

(In thousands)

| Area and year | Total | Mineral extraction | Construction | Manufacturing | Transportation and utilities | Trade | Finance, insurance, and real estate | Services | Government |
|---|---|---|---|---|---|---|---|---|---|
| **San Francisco** | | | | | | | | | |
| 1988 | 936.6 | 0.7 [b] | 33.5 [b] | 80.3 | 75.6 | 212.7 | 109.6 | 289.7 | 134.6 |
| 1989 | 957.7 | 0.6 [b] | 34.5 [b] | 81.7 | 76.4 | 218.5 | 109.7 | 300.6 | 135.7 |
| **San Jose** | | | | | | | | | |
| 1988 | 818.0 | 0.2 | 32.8 | 266.8 | 21.8 | 167.0 | 32.0 | 211.1 | 86.4 |
| 1989 | 828.7 | 0.2 | 33.4 | 269.8 | 21.8 | 170.3 | 32.4 | 214.1 | 86.8 |
| **Santa Barbara-Santa Maria-Lompoc** | | | | | | | | | |
| 1988 | 146.6 | 1.4 | 6.4 | 22.3 | 5.2 | 34.2 | 8.5 | 40.9 | 27.5 |
| 1989 | 149.5 | 1.4 | 6.9 | 22.6 | 5.3 | 34.6 | 8.6 | 41.7 | 28.4 |
| **Santa Rosa-Petaluma** | | | | | | | | | |
| 1988 | 130.1 | 0.7 | 9.3 | 20.2 | 6.0 | 33.4 | 8.3 | 29.5 | 22.7 |
| 1989 | 135.2 | 0.7 | 10.7 | 21.0 | 6.2 | 34.6 | 8.0 | 30.8 | 23.2 |
| **Stockton** | | | | | | | | | |
| 1988 | 147.9 | 0.1 | 8.5 | 24.5 | 8.7 | 34.6 | 9.1 | 30.9 | 31.6 |
| 1989 | 151.6 | 0.1 | 8.8 | 24.3 | 8.7 | 35.6 | 9.5 | 32.3 | 32.3 |
| **Vallejo-Fairfield-Napa** | | | | | | | | | |
| 1988 | 128.9 | 0.6 | 8.8 [b] | 12.2 | 4.5 | 31.3 | 4.9 | 28.9 | 37.8 |
| 1989 | 133.4 | 0.6 | 9.8 [b] | 12.7 | 4.7 | 32.6 | 4.9 | 29.7 | 38.4 |

[a] Does not include employers, own-account workers, unpaid family workers, domestic servants, and agricultural workers.

[b] Data for 1988 and 1989 are not compatible with prior data because of the SIC code revision (changed from the 1972 SIC code to the 1987 SIC code).

Area definitions:

Anaheim-Santa Ana—Orange County.
Bakersfield—Kern County.
Fresno—Fresno County.
Los Angeles-Long Beach—Los Angeles County.
Modesto—Stanislaus County.
Oakland—Alameda and Contra Costa Counties.
Oxnard-Ventura—Ventura County.
Riverside-San Bernardino—Riverside and San Bernardino Counties.
Sacramento—El Dorado, Placer, Sacramento, and Yolo Counties.
Salinas-Seaside-Monterey—Monterey County.
San Diego—San Diego County.
San Francisco—Marin, San Francisco, and San Mateo Counties.
San Jose—Santa Clara County.
Santa Barbara-Santa Maria-Lompoc—Santa Barbara County.
Santa Rosa-Petaluma—Sonoma County.
Stockton—San Joaquin County.
Vallejo-Fairfield-Napa—Napa and Solano Counties.

Source: California Employment Development Department.

TABLE 7
**WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1982–89** [a]
(In thousands)

| Industry | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 |
|---|---|---|---|---|---|---|---|---|
| Total | 1,957.7 | 1,949.3 | 2,065.5 | 2,076.1 | 2,069.7 | 2,107.6 | 2,149.2 | 2,158.4 |
| Nondurable goods | 628.1 | 622.0 | 639.2 | 635.7 | 652.7 | 680.4 | 703.3 | 711.9 |
| Durable goods | 1,329.6 | 1,327.3 | 1,426.3 | 1,440.4 | 1,417.0 | 1,427.2 | 1,445.9 | 1,446.6 |
| **Nondurable goods** | | | | | | | | |
| Food and kindred products | 182.5 | 173.4 | 173.3 | 169.2 | 170.6 | 171.4 | 175.7 | 174.6 |
| Canned, cured, frozen sea foods [b] | 9.1 | 8.9 | 6.8 | 5.2 | 5.5 | 5.7 | 5.9 | 6.0 |
| Meat products | 18.6 | 16.7 | 17.1 | 17.4 | 17.4 | 19.2 | 19.5 | 20.3 |
| Dairy products | 14.0 | 13.5 | 13.0 | 12.6 | 12.6 | 12.3 | 12.9 | 13.1 |
| Canned and preserved fruit and vegetables [b] | 55.4 | 52.0 | 53.6 | 51.3 | 50.4 | 50.6 | 49.1 | 48.8 |
| Grain mill products | 8.3 | 8.3 | 8.2 | 8.0 | 8.1 | 8.4 | 8.5 | 8.6 |
| Bakery products [b] | 19.2 | 19.0 | 19.4 | 19.4 | 20.0 | 19.2 | 20.4 | 20.7 |
| Beverages | 26.0 | 25.4 | 25.2 | 25.6 | 26.7 | 26.8 | 28.4 | 27.7 |
| Other food and kindred products | 31.8 | 29.7 | 30.0 | 29.8 | 30.0 | 29.3 | 30.9 | 29.5 |
| Textile mill products | 12.4 | 13.0 | 13.7 | 13.9 | 14.9 | 16.3 | 16.6 | 17.0 |
| Knitting mills | 2.5 | 2.7 | 3.3 | 3.8 | 4.3 | 4.6 | 4.3 | 4.7 |
| Floor covering mills | 4.0 | 3.8 | 4.0 | 3.9 | 4.1 | 4.3 | 4.5 | 4.7 |
| Other textile mill products | 5.9 | 6.4 | 6.4 | 6.2 | 6.5 | 7.5 | 7.9 | 7.5 |
| Apparel and other textile products | 102.4 | 103.2 | 108.0 | 107.2 | 114.7 | 126.4 | 126.1 | 130.2 |
| Men's, boys' suits and coats [b] | 11.9 | 12.0 | 11.5 | 9.6 | 9.5 | 10.1 | 9.5 | 8.7 |
| Women's and misses' outerwear | 62.6 | 63.1 | 67.0 | 69.3 | 75.7 | 84.4 | 84.3 | 87.3 |
| Women's and children's undergarments | 4.1 | 4.0 | 4.1 | 3.8 | 3.9 | 3.8 | 3.7 | 3.8 |
| Girls', child's outerwear | 2.0 | 2.1 | 2.3 | 2.1 | 2.4 | 2.7 | 2.7 | 3.0 |
| Other apparel and textile products [b] | 21.8 | 21.9 | 23.1 | 22.4 | 23.2 | 25.4 | 26.0 | 27.6 |
| Paper and allied products | 37.3 | 37.0 | 38.7 | 39.6 | 40.0 | 41.1 | 40.7 | 41.3 |
| Miscellaneous converted paper products | 15.2 | 15.2 | 15.8 | 15.9 | 16.4 | 16.9 | 17.0 | 17.4 |
| Paperboard containers and boxes | 15.8 | 15.5 | 16.7 | 17.6 | 17.5 | 18.0 | 17.7 | 17.4 |
| Other paper and allied products [b] | 6.3 | 6.3 | 6.2 | 6.1 | 6.1 | 6.2 | 6.0 | 6.5 |
| Printing and publishing | 124.5 | 128.3 | 136.5 | 140.1 | 145.1 | 152.4 | 161.4 | 162.2 |
| Newspapers | 42.5 | 43.2 | 46.4 | 47.7 | 48.9 | 50.7 | 52.8 | 52.4 |
| Commercial printing | 48.4 | 50.7 | 53.3 | 54.3 | 56.0 | 58.9 | 61.9 | 62.7 |
| Other printing and publishing | 33.6 | 34.5 | 36.8 | 38.1 | 40.2 | 42.8 | 46.8 | 47.2 |
| Chemicals and allied products | 65.7 | 63.8 | 64.1 | 63.7 | 64.7 | 67.8 | 73.2 | 74.9 |
| Industrial inorganic chemicals [b] | 7.5 | 7.1 | 7.4 | 7.4 | 7.4 | 7.1 | 7.3 | 8.0 |
| Plastics materials and synthetics | 3.4 | 3.3 | 3.3 | 3.1 | 2.9 | 3.0 | 3.4 | 3.3 |
| Drugs [b] | 19.4 | 19.5 | 19.3 | 19.0 | 20.1 | 21.4 | 24.1 | 24.6 |
| Soaps, cleaners, toilet goods | 13.3 | 12.1 | 12.4 | 12.4 | 13.0 | 14.4 | 15.6 | 15.5 |
| Paints and allied products | 6.7 | 6.7 | 7.2 | 7.5 | 7.5 | 7.5 | 7.4 | 7.4 |
| Agricultural chemicals | 4.6 | 4.1 | 3.9 | 3.6 | 3.3 | 3.2 | 3.0 | 2.9 |
| Other chemicals and allied products | 10.9 | 10.9 | 10.7 | 10.8 | 10.6 | 11.2 | 12.3 | 13.1 |
| Petroleum and coal products | 31.7 | 31.0 | 30.0 | 28.8 | 27.7 | 27.3 | 27.8 | 28.7 |
| Petroleum refining | 28.2 | 27.5 | 26.5 | 25.7 | 24.7 | 24.2 | 24.5 | 25.3 |
| Other petroleum and coal products [b] | 3.5 | 3.6 | 3.5 | 3.1 | 3.0 | 3.1 | 3.3 | 3.5 |

TABLE 7—Continued

**WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1982–89** [a]

(In thousands)

| Industry | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 |
|---|---|---|---|---|---|---|---|---|
| Rubber and plastics products | 61.2 | 62.8 | 66.5 | 65.7 | 68.1 | 70.7 | 75.4 | 76.8 |
| Tires and inner tubes | 1.4 | 1.3 | 1.3 | 1.2 | 1.1 | 1.1 | 1.1 | 1.0 |
| Footwear and fabricated products [b] | 9.7 | 10.0 | 10.4 | 10.0 | 9.9 | 9.9 | 10.1 | 9.9 |
| Miscellaneous plastics products [b] | 49.1 | 50.5 | 54.1 | 53.6 | 55.9 | 58.6 | 60.5 | 62.1 |
| Other rubber and plastics products [b] | 1.0 | .9 | .8 | 1.0 | 1.2 | 1.2 | 3.7 | 3.7 |
| Leather and leather products | 10.5 | 9.5 | 8.5 | 7.5 | 7.0 | 6.9 | 6.3 | 6.2 |
| **Durable goods** | | | | | | | | |
| Lumber and wood products excluding furniture | 46.3 | 50.6 | 55.1 | 56.1 | 60.1 | 66.2 | 69.2 | 70.0 |
| Logging camps, sawmills, planing mills | 18.1 | 19.7 | 20.9 | 20.5 | 20.9 | 22.3 | 22.6 | 20.4 |
| Millwork, plywood, structural members | 12.6 | 14.3 | 16.9 | 18.4 | 20.9 | 24.4 | 26.5 | 28.9 |
| Wooden containers | 3.8 | 3.7 | 4.0 | 4.1 | 4.6 | 4.7 | 4.6 | 4.5 |
| Other lumber and wood products | 11.9 | 12.9 | 13.2 | 13.0 | 13.7 | 14.9 | 15.5 | 16.3 |
| Furniture and fixtures | 49.0 | 51.6 | 59.2 | 58.9 | 59.5 | 63.0 | 62.0 | 61.3 |
| Household furniture | 29.3 | 31.1 | 34.9 | 34.2 | 34.5 | 37.3 | 37.0 | 35.2 |
| Partitions and fixtures [b] | 6.3 | 6.8 | 8.4 | 8.3 | 8.4 | 8.7 | 8.6 | 9.0 |
| Other furniture and fixtures | 13.4 | 13.8 | 16.0 | 16.5 | 16.6 | 17.0 | 16.4 | 17.0 |
| Stone, clay, and glass products | 50.4 | 48.7 | 51.6 | 50.8 | 52.5 | 53.7 | 54.4 | 56.1 |
| Glass and glass products | 16.3 | 15.8 | 15.8 | 15.1 | 15.3 | 15.5 | 15.6 | 16.1 |
| Hydraulic cement [b] | 3.7 | 3.3 | 3.2 | 2.9 | 2.9 | 2.8 | 2.1 | 2.0 |
| Structural clay products | 2.5 | 2.4 | 2.3 | 2.2 | 2.2 | 2.2 | 2.4 | 2.5 |
| Pottery and related products [b] | 4.7 | 4.5 | 4.7 | 4.1 | 4.1 | 4.3 | 5.0 | 5.4 |
| Concrete, gypsum, plaster products | 14.0 | 14.2 | 16.5 | 17.2 | 18.3 | 19.4 | 21.0 | 21.8 |
| Other stone, clay, and glass products [b] | 9.3 | 8.4 | 9.1 | 9.4 | 9.9 | 9.5 | 8.3 | 8.3 |
| Primary metal industries | 47.6 | 43.5 | 42.6 | 41.6 | 40.8 | 42.0 | 43.6 | 44.4 |
| Blast furnace and basic steel products | 12.3 | 9.9 | 7.7 | 7.9 | 7.7 | 8.1 | 8.8 | 9.5 |
| Iron and steel foundries | 8.0 | 6.5 | 6.7 | 6.4 | 6.1 | 6.6 | 6.7 | 6.4 |
| Nonferrous rolling and drawing | 13.0 | 13.4 | 13.7 | 13.3 | 12.8 | 12.7 | 12.8 | 13.3 |
| Nonferrous foundries | 9.7 | 9.7 | 10.3 | 10.0 | 10.3 | 10.7 | 10.7 | 10.7 |
| Other primary metals [b] | 4.5 | 4.0 | 4.2 | 4.1 | 3.9 | 3.9 | 4.6 | 4.5 |
| Fabricated metal products | 138.8 | 137.9 | 146.7 | 143.5 | 135.9 | 134.3 | 138.8 | 139.0 |
| Metal cans and shipping containers | 9.1 | 8.9 | 8.4 | 8.3 | 7.9 | 7.5 | 7.2 | 6.7 |
| Cutlery, hand tools, hardware | 14.5 | 14.1 | 15.0 | 14.3 | 14.0 | 14.5 | 15.8 | 14.9 |
| Plumbing and heating excluding electric [b] | 6.7 | 6.7 | 7.4 | 7.7 | 7.4 | 7.0 | 8.2 | 8.6 |
| Fabricated structural products | 45.3 | 44.5 | 47.0 | 45.1 | 41.7 | 40.5 | 40.3 | 42.2 |
| Screw machine products, bolts, etc. | 12.1 | 11.4 | 12.4 | 12.6 | 12.3 | 13.1 | 13.4 | 13.1 |
| Forgings and stampings | 13.5 | 14.2 | 15.7 | 15.8 | 15.6 | 15.0 | 14.1 | 13.3 |
| Metal services | 18.3 | 18.9 | 20.3 | 19.9 | 19.3 | 20.2 | 20.9 | 21.8 |
| Other fabricated metal products [b] | 19.3 | 19.2 | 20.5 | 19.9 | 17.6 | 16.7 | 18.9 | 18.5 |

TABLE 7—Continued

**WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1982–89 [a]**

(In thousands)

| Industry | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 |
|---|---|---|---|---|---|---|---|---|
| Industrial machinery | 227.6 | 223.4 | 239.2 | 229.4 | 214.0 | 212.3 | 219.3 | 224.9 |
| Farm and garden | 5.0 | 4.7 | 4.6 | 4.3 | 3.7 | 4.1 | 4.2 | 4.0 |
| Construction and related | 20.8 | 14.1 | 14.3 | 13.5 | 11.1 | 9.8 | 9.7 | 9.8 |
| Metalworking [b] | 16.8 | 16.3 | 17.8 | 17.7 | 16.3 | 16.3 | 19.1 | 19.7 |
| Special industry [b] | 13.0 | 12.6 | 13.7 | 13.3 | 12.0 | 12.0 | 10.7 | 11.2 |
| General industry [b] | 19.5 | 18.3 | 19.7 | 19.7 | 18.2 | 18.0 | 17.9 | 18.3 |
| Office, computing, accounting [b] | 103.9 | 109.9 | 117.9 | 111.4 | 107.2 | 105.8 | 102.9 | 106.5 |
| Refrigeration and service industry | 8.3 | 8.4 | 8.6 | 9.2 | 9.0 | 9.1 | 9.5 | 9.4 |
| Other machinery and equipment [b] | 40.4 | 39.2 | 42.6 | 40.3 | 36.5 | 37.2 | 45.3 | 46.2 |
| Electrical equipment and supplies [b] | 358.0 | 365.4 | 406.3 | 413.4 | 399.7 | 396.9 | 270.4 | 269.6 |
| Electrical distribution equipment [b] | 8.5 | 8.0 | 10.7 | 11.7 | 11.5 | 11.9 | 12.2 | 12.4 |
| Electrical industrial [b] | 13.2 | 12.1 | 14.4 | 13.2 | 11.2 | 10.3 | 12.7 | 12.6 |
| Household appliances | 4.7 | 4.5 | 3.9 | 3.9 | 3.8 | 4.0 | 4.0 | 4.3 |
| Lighting and wiring equipment | 20.2 | 20.0 | 22.0 | 22.6 | 23.2 | 23.4 | 23.7 | 23.9 |
| Household audio and video | 14.9 | 13.5 | 13.7 | 13.6 | 14.0 | 14.5 | 15.1 | 15.6 |
| Communication equipment [b] | 157.2 | 158.7 | 167.2 | 179.1 | 179.5 | 174.3 | 31.7 | 32.1 |
| Electronic components and accessories [b] | 131.0 | 139.8 | 165.3 | 160.8 | 148.6 | 150.4 | 147.8 | 147.3 |
| Miscellaneous electrical equipment and supplies [b] | 8.3 | 8.9 | 9.2 | 8.4 | 7.9 | 8.2 | 23.3 | 21.5 |
| Transportation and equipment | 266.3 | 261.9 | 277.5 | 297.3 | 306.7 | 310.2 | 304.0 | 303.9 |
| Motor vehicles and equipment | 30.6 | 30.3 | 33.4 | 33.6 | 32.5 | 33.3 | 34.7 | 34.7 |
| Aircraft and parts [b] | 137.3 | 133.3 | 141.1 | 156.7 | 167.4 | 171.6 | 163.6 | 166.2 |
| Ship and boat building and repairing | 22.4 | 18.7 | 18.2 | 17.5 | 15.4 | 13.6 | 13.4 | 14.5 |
| Guided missiles, space vehicles and parts | 66.4 | 69.3 | 73.8 | 78.1 | 81.0 | 81.1 | 81.9 | 79.2 |
| Other transportation equipment | 9.6 | 10.4 | 11.1 | 11.4 | 10.4 | 10.5 | 10.3 | 9.4 |
| Instruments and related products [b] | 102.4 | 103.7 | 110.1 | 113.9 | 112.2 | 112.9 | 247.7 | 239.8 |
| Search and navigation [c] | na | na | na | na | na | na | 126.7 | 115.5 |
| Measuring and controlling [b] | 47.6 | 47.5 | 51.1 | 54.1 | 54.3 | 54.5 | 70.9 | 73.0 |
| Other instruments and related products [b] | 54.8 | 56.2 | 59.0 | 59.8 | 58.0 | 58.4 | 50.1 | 51.3 |
| Miscellaneous manufacturing | 43.2 | 40.6 | 37.9 | 35.5 | 35.5 | 35.8 | 36.7 | 37.4 |
| Toys and sporting goods | 21.0 | 18.3 | 15.1 | 13.2 | 12.4 | 12.4 | 12.1 | 12.1 |
| Other miscellaneous manufacturing | 22.2 | 22.3 | 22.9 | 22.3 | 23.0 | 23.5 | 24.6 | 25.4 |

[a] Data for 1982–1987 are based on the 1972 SIC codes. 1988 and 1989 are based on the 1987 SIC codes.

[b] Data for 1988 and 1989 are not comparable with prior years due to SIC code changes.

[c] Not published on the 1972 SIC code.

n.a. Not available.

Source: California Employment Development Department.

(Official U.S. Bureau of Labor Statistics series. The text portion of the report uses the interim series prepared by the Department of Finance.)

TABLE 8
**AEROSPACE EMPLOYMENT IN CALIFORNIA, 1960–89** [a]
(In thousands)

| Year and month | Total aerospace | Office computing and accounting machines | Radio and TV receiving equipment | Communi-cation equipment | Electronic components and accessories | Aircraft and parts | Guided missiles and space vehicles | Measuring and controlling instruments |
|---|---|---|---|---|---|---|---|---|
| 1960 | 422.5 | 23.3 | 9.9 | 92.2 | 29.1 | 181.4 | 68.4 | 18.2 |
| 1961 | 425.8 | 23.6 | 10.6 | 98.8 | 31.2 | 166.0 | 76.2 | 19.5 |
| 1962 | 457.6 | 25.4 | 12.0 | 112.0 | 35.4 | 161.0 | 89.6 | 22.1 |
| 1963 | 458.3 | 25.6 | 11.9 | 110.4 | 34.8 | 160.1 | 93.7 | 21.8 |
| 1964 | 433.5 | 26.9 | 11.0 | 98.1 | 32.4 | 153.6 | 90.8 | 20.8 |
| 1965 | 434.3 | 30.2 | 10.8 | 95.7 | 34.9 | 155.3 | 86.0 | 21.4 |
| 1966 | 495.0 | 33.8 | 13.7 | 103.3 | 47.7 | 181.3 | 92.1 | 23.1 |
| 1967 | 542.4 | 38.8 | 15.0 | 117.6 | 52.0 | 198.6 | 97.4 | 23.0 |
| 1968 | 544.3 | 42.7 | 15.5 | 117.0 | 52.4 | 195.4 | 96.9 | 24.6 |
| 1969 | 528.3 | 53.4 | 16.7 | 114.4 | 57.7 | 178.3 | 82.6 | 25.3 |
| 1970 | 466.3 | 58.3 | 15.1 | 102.9 | 53.0 | 148.3 | 64.5 | 24.3 |
| 1971 | 409.6 | 52.3 | 14.2 | 91.1 | 45.9 | 130.3 | 52.9 | 23.0 |
| 1972 | 427.4 | 52.1 | 15.0 | 95.1 | 52.0 | 135.4 | 52.8 | 25.1 |
| 1973 | 462.8 | 61.4 | 15.5 | 100.0 | 68.9 | 135.6 | 51.0 | 30.5 |
| 1974 | 485.8 | 69.7 | 15.8 | 102.6 | 78.5 | 134.9 | 51.7 | 32.7 |
| 1975 | 450.5 | 63.3 | 14.9 | 103.0 | 65.7 | 121.3 | 52.0 | 30.2 |
| 1976 | 449.6 | 62.3 | 16.1 | 105.4 | 74.8 | 108.5 | 50.0 | 32.5 |
| 1977 | 465.2 | 67.0 | 16.6 | 108.4 | 82.3 | 109.4 | 48.0 | 33.5 |
| 1978 | 518.8 | 80.1 | 17.8 | 119.1 | 97.3 | 117.5 | 49.6 | 37.4 |
| 1979 | 590.6 | 92.2 | 18.0 | 129.6 | 114.6 | 140.4 | 54.0 | 41.9 |
| 1980 | 632.6 | 97.9 | 17.6 | 137.3 | 124.2 | 151.0 | 58.6 | 46.0 |
| 1981 | 647.1 | 98.4 | 17.3 | 146.5 | 126.1 | 147.9 | 62.7 | 48.2 |
| 1982 | 658.3 | 103.9 | 14.9 | 157.2 | 131.0 | 137.3 | 66.4 | 47.6 |
| 1983 | 672.0 | 109.9 | 13.5 | 158.7 | 139.8 | 133.3 | 69.3 | 47.5 |
| 1984 | 730.0 | 117.9 | 13.7 | 167.2 | 165.3 | 141.1 | 73.8 | 51.1 |
| 1985 | 753.7 | 111.4 | 13.6 | 179.1 | 160.8 | 156.7 | 78.1 | 54.1 |
| 1986 | 752.0 | 107.2 | 14.0 | 179.5 | 148.6 | 167.4 | 81.0 | 54.3 |
| 1987 | 752.2 | 105.8 | 14.5 | 174.3 | 150.4 | 171.6 | 81.1 | 54.5 |

| | | Aerospace | | | Electronics | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Aircraft and parts | Missiles and space vehicles | Navigation and guidance instruments | Office and computing machines | Communi-cations equipment | Electronic components | Laboratory measuring, controlling instruments |
| 1988 | 725.5 | 163.6 | 81.9 | 126.7 | 102.9 | 31.7 | 147.8 | 70.9 |
| 1989 | 719.8 | 166.2 | 79.2 | 115.5 | 106.5 | 32.1 | 147.3 | 73.0 |

[a] Data from 1960 through 1971 calculated using aerospace categories as defined by 1972 SIC codes. Data from 1972 through 1987 represent the official benchmarked aerospace series based upon the 1972 SIC codes. Beginning with 1988, data are based on the 1987 SIC codes. (Official U.S. Bureau of Labor Statistics series. The text portion of the report uses the interim series prepared by the Department of Finance.)

Source: California Employment Development Department.

TABLE 9

**AVERAGE WEEKLY AND HOURLY EARNINGS AND AVERAGE HOURS WORKED PER WEEK, PRODUCTION AND RELATED WORKERS IN MANUFACTURING, CALIFORNIA AND UNITED STATES, 1960–89 [a]**

| Year | California | | | United States | | |
|---|---|---|---|---|---|---|
| | Average weekly earnings | Average hourly earnings | Average hours per week | Average weekly earnings | Average hourly earnings | Average hours per week |
| 1960 | $104.28 | $2.62 | 39.8 | $89.72 | $2.26 | 39.7 |
| 1961 | 108.53 | 2.72 | 39.9 | 92.34 | 2.32 | 39.8 |
| 1962 | 112.44 | 2.79 | 40.3 | 96.15 | 2.38 | 40.4 |
| 1963 | 115.78 | 2.88 | 40.2 | 99.22 | 2.45 | 40.5 |
| 1964 | 119.29 | 2.96 | 40.3 | 102.97 | 2.53 | 40.7 |
| 1965 | 123.83 | 3.05 | 40.6 | 107.53 | 2.61 | 41.2 |
| 1966 | 128.93 | 3.16 | 40.8 | 112.34 | 2.72 | 41.3 |
| 1967 | 132.92 | 3.29 | 40.4 | 114.49 | 2.82 | 40.6 |
| 1968 | 138.63 | 3.44 | 40.3 | 122.51 | 3.01 | 40.7 |
| 1969 | 145.89 | 3.62 | 40.3 | 129.51 | 3.19 | 40.6 |
| 1970 | 150.48 | 3.80 | 39.6 | 133.33 | 3.35 | 39.8 |
| 1971 | 158.79 | 4.02 | 39.5 | 142.44 | 3.57 | 39.9 |
| 1972 | 170.43 | 4.25 | 40.1 | 154.71 | 3.82 | 40.5 |
| 1973 | 178.93 | 4.44 | 40.3 | 166.46 | 4.09 | 40.7 |
| 1974 | 188.97 | 4.76 | 39.7 | 177.20 | 4.43 | 40.0 |
| 1975 | 205.67 | 5.22 | 39.4 | 190.30 | 4.83 | 39.4 |
| 1976 | 221.92 | 5.59 | 39.7 | 208.80 | 5.22 | 40.0 |
| 1977 | 240.60 | 6.00 | 40.1 | 228.50 | 5.67 | 40.3 |
| 1978 | 257.84 | 6.43 | 40.1 | 249.27 | 6.17 | 40.4 |
| 1979 | 280.50 | 7.03 | 39.9 | 269.34 | 6.70 | 40.2 |
| 1980 | 304.15 | 7.70 | 39.5 | 288.62 | 7.27 | 39.7 |
| 1981 | 338.98 | 8.56 | 39.6 | 318.00 | 7.99 | 39.8 |
| 1982 | 362.21 | 9.24 | 39.2 | 330.26 | 8.49 | 38.9 |
| 1983 | 380.80 | 9.52 | 40.0 | 354.08 | 8.83 | 40.1 |
| 1984 | 393.73 | 9.77 | 40.3 | 374.03 | 9.19 | 40.7 |
| 1985 | 406.82 | 10.12 | 40.2 | 386.37 | 9.54 | 40.5 |
| 1986 | 417.51 | 10.36 | 40.3 | 396.01 | 9.73 | 40.7 |
| 1987 | 433.23 | 10.75 | 40.3 | 406.31 | 9.91 | 41.0 |
| 1988 | 439.56 | 10.80 | 40.7 | 418.40 | 10.18 | 41.1 |
| 1989 | 454.21 | 11.16 | 40.7 | 429.27 [b] | 10.47 [b] | 41.0 [b] |

[a] Averages are based upon data for full-time and part-time production and related workers in production and other departments, such as shipping, maintenance, and warehousing. Overtime pay and premium wages for late-shift work are included.

[b] Preliminary data.

Source: California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

TABLE 10

**AVERAGE WEEKLY AND HOURLY EARNINGS AND AVERAGE HOURS WORKED PER WEEK IN SELECTED NONMANUFACTURING INDUSTRIES, CALIFORNIA, 1989 [a]**

| Industry | Average weekly earnings | Average hourly earnings | Average hours per week |
|---|---|---|---|
| Mineral extraction | | | |
| Oil and gas extraction | $702.65 | $16.85 | 41.7 |
| Nonmetallic minerals, except fuels | 657.19 | 15.99 | 41.1 |
| Contract construction | | | |
| General building contractors | 677.24 | 18.76 | 36.1 |
| Heavy construction contractors, except building | 783.29 | 19.78 | 39.6 |
| Special trade contractors [b] | 639.68 | 18.07 | 35.4 |
| Transportion and Utilities | | | |
| Electric, gas, and sanitary services | 772.85 | 18.85 | 41.0 |
| Trade | | | |
| Wholesale | 446.53 | 11.72 | 38.1 |
| Retail (excluding eating/drinking) | 248.10 | 8.41 | 29.5 |
| Services | | | |
| Motion picture production | 651.46 | 18.56 | 35.1 |

[a] Averages are based upon data for full-time and part-time production and related workers in mineral extraction, construction, workers in construction and nonsupervisory employees and working supervisors in other industries. Overtime hours and pay and premium wages for late-shift work are included.

[b] Detailed data are no longer available.

Source: California Employment Development Department.

TABLE 11
**PERSONAL INCOME IN CALIFORNIA, TOTAL AND PER CAPITA, 1960–89**

| Year | Total | | | Per capita [a] | | |
|---|---|---|---|---|---|---|
| | Amount (In millions) | Percent change | Percent of U.S. | Amount | Percent change | Percent of U.S. average |
| 1960 | $44,207 | — | 10.9 | $2,786 | — | 123.6 |
| 1961 | 46,862 | 6.0 | 11.1 | 2,841 | 2.0 | 123.0 |
| 1962 | 50,580 | 7.9 | 11.2 | 2,963 | 4.3 | 122.3 |
| 1963 | 54,129 | 7.0 | 11.4 | 3,064 | 3.4 | 122.1 |
| 1964 | 58,691 | 8.4 | 11.6 | 3,233 | 5.5 | 122.0 |
| 1965 | 62,779 | 7.0 | 11.5 | 3,378 | 4.5 | 119.3 |
| 1966 | 68,322 | 8.8 | 11.5 | 3,623 | 7.3 | 118.9 |
| 1967 | 73,590 | 7.7 | 11.5 | 3,838 | 5.9 | 118.6 |
| 1968 | 80,647 | 9.6 | 11.5 | 4,158 | 8.3 | 118.3 |
| 1969 | 88,401 | 9.6 | 11.5 | 4,485 | 7.9 | 117.8 |
| 1970 | 95,039 | 7.5 | 11.5 | 4,746 | 5.8 | 117.2 |
| 1971 | 100,865 | 6.1 | 11.4 | 4,958 | 4.5 | 115.4 |
| 1972 | 110,341 | 9.4 | 11.3 | 5,360 | 8.1 | 114.9 |
| 1973 | 121,784 | 10.4 | 11.1 | 5,836 | 8.9 | 112.6 |
| 1974 | 136,194 | 11.8 | 11.3 | 6,433 | 10.2 | 113.9 |
| 1975 | 149,700 | 9.9 | 11.4 | 6,951 | 8.1 | 114.5 |
| 1976 | 167,708 | 12.0 | 11.6 | 7,646 | 10.0 | 115.0 |
| 1977 | 187,133 | 11.6 | 11.7 | 8,373 | 9.5 | 114.8 |
| 1978 | 214,938 | 14.9 | 11.9 | 9,411 | 12.4 | 115.7 |
| 1979 | 244,775 | 13.9 | 12.1 | 10,526 | 11.8 | 116.5 |
| 1980 | 276,107 | 12.8 | 12.2 | 11,603 | 10.2 | 117.0 |
| 1981 | 308,731 | 11.8 | 12.3 | 12,724 | 9.7 | 116.2 |
| 1982 | 328,033 | 6.3 | 12.3 | 13,238 | 4.0 | 115.3 |
| 1983 | 352,438 | 7.4 | 12.4 | 13,927 | 5.2 | 115.1 |
| 1984 | 389,183 | 10.4 | 12.5 | 15,098 | 8.4 | 115.1 |
| 1985 | 422,608 | 8.6 | 12.7 | 16,036 | 6.2 | 115.4 |
| 1986 | 452,973 | 7.2 | 12.9 | 16,778 | 4.6 | 114.9 |
| 1987 | 491,393 | 8.5 | 13.0 | 17,770 | 5.9 | 114.9 |
| 1988 | 530,968 | 8.1 | 13.1 | 18,753 | 5.5 | 113.7 |
| 1989 [b] | 571,810 | 7.7 | 13.0 | 19,675 | 4.9 | 110.6 [c] |

[a] Per capita figures derived using population estimates of the California Department of Finance.
[b] Estimated.
[c] Reflects October 1989 earthquake.
Source: U.S. Department of Commerce, Bureau of Economic Analysis, and California Department of Finance.

TABLE 12

**PERSONAL INCOME BY MAJOR SOURCES, CALIFORNIA, 1960–89**

(Dollars in millions)

| Year | Total personal income [a] | Wages and salaries | Other labor income | Proprietor | | Property income | Transfer payments | Less: Contributions for social insurance | Residence adjustment |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Farm | Other | | | | |
| 1960 | $44,207 | $29,168 | $1,106 | $865 | $4,794 | $6,333 | $3,121 | $1,085 | −$95 |
| 1961 | 46,862 | 30,770 | 1,204 | 806 | 5,102 | 6,634 | 3,601 | 1,171 | −84 |
| 1962 | 50,580 | 33,260 | 1,354 | 905 | 5,421 | 7,166 | 3,832 | 1,277 | −82 |
| 1963 | 54,129 | 35,674 | 1,531 | 852 | 5,631 | 7,770 | 4,221 | 1,479 | −71 |
| 1964 | 58,691 | 38,273 | 1,758 | 999 | 6,156 | 8,576 | 4,592 | 1,592 | −71 |
| 1965 | 62,779 | 40,751 | 1,948 | 915 | 6,409 | 9,419 | 5,068 | 1,712 | −18 |
| 1966 | 68,322 | 44,914 | 2,164 | 1,006 | 6,709 | 10,093 | 5,679 | 2,225 | −18 |
| 1967 | 73,590 | 48,141 | 2,333 | 921 | 7,035 | 10,837 | 6,860 | 2,521 | −16 |
| 1968 | 80,647 | 52,824 | 2,723 | 1,059 | 7,712 | 11,290 | 7,844 | 2,785 | −18 |
| 1969 | 88,401 | 57,917 | 3,108 | 966 | 8,053 | 12,494 | 9,035 | 3,154 | −18 |
| 1970 | 95,039 | 61,230 | 3,473 | 979 | 8,219 | 13,520 | 10,978 | 3,353 | −7 |
| 1971 | 100,865 | 63,908 | 3,802 | 965 | 8,872 | 14,244 | 12,637 | 3,564 | 2 |
| 1972 | 110,341 | 69,895 | 4,486 | 1,391 | 9,987 | 15,031 | 13,716 | 4,174 | 9 |
| 1973 | 121,784 | 76,904 | 5,100 | 2,021 | 10,853 | 16,849 | 15,172 | 5,135 | 21 |
| 1974 | 136,194 | 84,419 | 5,903 | 2,549 | 11,769 | 18,977 | 17,919 | 5,376 | 34 |
| 1975 | 149,700 | 90,834 | 7,038 | 2,003 | 13,280 | 19,810 | 22,288 | 5,731 | 178 |
| 1976 | 167,708 | 100,631 | 8,515 | 2,042 | 16,217 | 21,722 | 24,852 | 6,562 | 290 |
| 1977 | 187,133 | 112,559 | 10,424 | 2,110 | 18,093 | 24,312 | 26,859 | 7,373 | 149 |
| 1978 | 214,938 | 128,656 | 12,150 | 2,391 | 20,947 | 29,596 | 29,157 | 8,092 | 132 |
| 1979 | 244,775 | 146,684 | 14,006 | 3,246 | 22,695 | 35,577 | 32,119 | 9,664 | 112 |
| 1980 | 276,107 | 163,730 | 16,110 | 4,108 | 22,249 | 42,294 | 37,393 | 9,881 | 104 |
| 1981 | 308,731 | 182,172 | 17,706 | 3,550 | 21,344 | 52,025 | 43,659 | 11,885 | 161 |
| 1982 | 328,033 | 193,183 | 19,661 | 2,949 | 21,419 | 55,579 | 47,895 | 12,827 | 172 |
| 1983 | 352,438 | 207,021 | 21,546 | 2,967 | 25,401 | 59,218 | 50,638 | 14,556 | 203 |
| 1984 | 389,183 | 229,740 | 23,094 | 3,549 | 29,642 | 66,935 | 52,252 | 16,252 | 223 |
| 1985 | 422,608 | 250,463 | 24,158 | 4,013 | 32,768 | 71,780 | 57,691 | 18,532 | 267 |
| 1986 | 452,973 | 269,730 | 25,961 | 4,578 | 36,302 | 74,870 | 61,589 | 20,294 | 236 |
| 1987 | 491,393 | 294,617 | 28,279 | 4,796 | 40,314 | 80,241 | 65,082 | 22,189 | 254 |
| 1988 | 530,968 | 319,609 | 30,593 | 4,317 | 43,213 | 88,310 | 69,768 | 25,117 | 275 |
| 1989 [b] | 571,810 | 342,095 | 32,600 | 4,505 | 46,618 | 98,063 | 75,285 | 27,643 | 288 |

[a] Detail may not add to total because of rounding.

[b] Estimated.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, and California Department of Finance.

TABLE 13
**DISPOSABLE PERSONAL INCOME, CALIFORNIA 1960–88**

| | Disposable personal income | | Per capita disposable income | |
|---|---|---|---|---|
| | Amount (In millions) | Percent change | Amount | Percent change |
| 1960 | $38,551 | — | $2,429 | — |
| 1961 | 40,875 | 6.0 | 2,478 | 2.0 |
| 1962 | 44,022 | 7.7 | 2,579 | 4.1 |
| 1963 | 47,103 | 7.0 | 2,666 | 3.4 |
| 1964 | 51,957 | 10.3 | 2,862 | 7.4 |
| 1965 | 55,584 | 7.0 | 2,991 | 4.5 |
| 1966 | 60,093 | 8.1 | 3,187 | 6.6 |
| 1967 | 64,452 | 7.3 | 3,361 | 5.5 |
| 1968 | 69,774 | 8.3 | 3,598 | 7.1 |
| 1969 | 75,674 | 8.5 | 3,839 | 6.7 |
| 1970 | 82,712 | 9.3 | 4,131 | 7.6 |
| 1971 | 88,578 | 7.1 | 4,354 | 5.4 |
| 1972 | 94,949 | 7.2 | 4,613 | 5.9 |
| 1973 | 106,005 | 11.6 | 5,080 | 10.1 |
| 1974 | 118,249 | 11.6 | 5,585 | 9.9 |
| 1975 | 131,533 | 11.2 | 6,107 | 9.3 |
| 1976 | 145,806 | 10.9 | 6,647 | 8.8 |
| 1977 | 161,575 | 10.8 | 7,229 | 8.8 |
| 1978 | 184,885 | 14.4 | 8,095 | 12.0 |
| 1979 | 209,087 | 13.1 | 8,991 | 11.1 |
| 1980 | 235,003 | 12.4 | 9,875 | 9.8 |
| 1981 | 262,962 | 11.9 | 10,838 | 9.8 |
| 1982 | 280,812 | 6.8 | 11,332 | 4.6 |
| 1983 | 303,927 | 8.2 | 12,010 | 6.0 |
| 1984 | 335,105 | 10.3 | 13,000 | 8.2 |
| 1985 | 361,967 | 8.0 | 13,735 | 5.7 |
| 1986 | 386,873 | 6.9 | 14,330 | 4.3 |
| 1987 | 414,659 | 7.2 | 14,995 | 4.6 |
| 1988 | 454,024 | 9.5 | 16,035 | 6.9 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

TABLE 14
**INDUSTRIAL SOURCES OF EARNINGS, CALIFORNIA AND UNITED STATES, 1986–88**
(Percent)

| Industry | California | | | United States | | |
|---|---|---|---|---|---|---|
| | 1986 | 1987 | 1988 | 1986 | 1987 | 1988 |
| Total [a] | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Farming | 1.9 | 1.8 | 1.6 | 1.7 | 1.7 | 1.5 |
| Mining | 0.6 | 0.5 | 0.5 | 1.2 | 1.1 | 1.0 |
| Construction | 6.6 | 6.7 | 6.7 | 6.5 | 6.4 | 6.4 |
| Manufacturing | 19.2 | 18.7 | 18.3 | 21.2 | 20.5 | 20.3 |
| Transportation, communication, and public utilities | 6.3 | 6.0 | 5.8 | 7.0 | 6.9 | 6.7 |
| Trade | 16.2 | 15.7 | 16.1 | 16.1 | 16.0 | 16.1 |
| Finance, insurance, real estate | 7.3 | 7.8 | 7.7 | 6.9 | 7.2 | 7.3 |
| Services | 25.7 | 26.7 | 27.3 | 23.0 | 23.8 | 24.4 |
| Government | 15.4 | 15.1 | 15.0 | 15.8 | 15.7 | 15.6 |
| Other [b] | 0.8 | 0.9 | 0.9 | 0.5 | 0.6 | 0.6 |

[a] Consists of wage and salary disbursements, other labor income and proprietors' income. Detail may not add to total due to rounding.
[b] Agricultural services, forestry, fisheries and other.
Source: Computed by California Department of Finance from data reported by the U.S. Department of Commerce, Bureau of Economic Analysis.

TABLE 15

**NUMBER OF PERSONAL INCOME TAX RETURNS, ADJUSTED GROSS INCOME TAXABLE INCOME, AND TAX ASSESSED, 1960–87**

(Dollars in thousands)

| Income year [a] | Number of returns | Adjusted gross income | Taxable income | Tax assessed |
|---|---|---|---|---|
| 1960 | 4,239,099 | $31,234,015 | $13,337,516 | $256,450,535 |
| 1961 | 4,454,831 | 33,581,594 | 14,624,977 | 290,676,930 |
| 1962 | 4,558,688 | 35,878,383 | 15,833,652 | 304,396,656 |
| 1963 | 4,851,770 | 38,835,003 | 17,382,196 | 338,006,936 |
| 1964 | 4,981,588 | 42,133,398 | 19,411,712 | 391,744,625 |
| 1965 | 5,167,529 | 45,234,006 | 21,088,900 | 432,886,449 |
| 1966 | 5,445,732 | 48,692,542 | 23,442,015 | 478,765,378 |
| 1967 | 5,449,456 | 52,827,614 | 43,252,693 | 947,644,969 |
| 1968 | 5,334,038 | 56,636,453 | 44,663,419 | 1,061,700,536 |
| 1969 | 5,586,849 | 60,874,377 | 47,983,889 | 1,088,914,303 |
| 1970 | 5,554,362 | 63,189,993 | 49,434,451 | 1,212,386,611 |
| 1971 | 5,690,817 | 67,784,603 | 52,618,643 | 1,132,505,465 |
| 1972 | 6,972,468 | 78,371,548 | 60,904,375 | 1,691,312,440 |
| 1973 | 7,490,292 | 85,533,832 | 66,863,680 | 1,536,631,957 |
| 1974 | 7,929,997 | 93,727,065 | 73,916,530 | 2,360,763,630 |
| 1975 | 8,124,290 | 101,597,846 | 80,476,280 | 2,758,812,903 |
| 1976 | 8,620,249 | 115,605,336 | 91,731,547 | 3,359,556,988 |
| 1977 | 8,989,797 | 132,780,576 | 105,756,245 | 4,224,600,738 |
| 1978 | 9,448,710 | 149,103,646 | 119,658,733 | 4,174,010,707 |
| 1979 | 10,190,263 | 169,787,242 | 136,691,944 | 5,973,284,386 |
| 1980 | 10,335,674 | 189,296,755 | 150,455,416 | 6,205,907,550 |
| 1981 | 10,661,919 | 209,941,951 | 165,129,794 | 6,774,149,612 |
| 1982 | 10,721,424 | 224,864,258 | 175,605,697 | 7,240,834,538 |
| 1983 | 10,950,080 | 244,257,462 | 188,843,751 | 8,424,611,422 |
| 1984 | 11,630,329 | 290,103,630 | 229,858,627 | 9,817,265,664 |
| 1985 | 11,857,200 | 306,005,694 | 240,023,248 | 10,636,087,730 |
| 1986 | 12,241,172 | 340,363,750 | 266,290,027 | 12,586,418,855 |
| 1987 | 12,649,850 | 382,328,602 | 316,237,052 | 12,872,148,386 |

[a] Changes in the Personal Income Tax Law effective with returns for the 1987 income year make prior year information not comparable.

Source: California Franchise Tax Board.

TABLE 16
**PERSONAL INCOME TAX STATISTICS, BY COUNTY, 1987 INCOME YEAR**

| County | All returns—taxable and nontaxable | | | Joint returns | | Tax assessed (Thousands) |
|---|---|---|---|---|---|---|
| | Number of returns | Adjusted gross income (Thousands) | Median income | Number of returns | Median income | |
| Alameda | 531,994 | $15,743,682 | $21,973 | 210,608 | $40,543 | $520,286 |
| Alpine | 232 | 5,308 | 19,077 | 112 | 29,500 | 109 |
| Amador | 10,228 | 249,729 | 19,157 | 5,994 | 28,153 | 6,364 |
| Butte | 62,090 | 1,060,444 | 14,778 | 31,335 | 24,449 | 33,715 |
| Calaveras | 9,624 | 229,421 | 18,282 | 5,723 | 26,271 | 5,745 |
| Colusa | 5,909 | 123,826 | 14,703 | 3,186 | 22,513 | 3,700 |
| Contra Costa | 318,436 | 11,548,681 | 26,117 | 151,252 | 45,270 | 425,593 |
| Del Norte | 6,569 | 121,629 | 13,850 | 3,572 | 23,754 | 2,576 |
| El Dorado | 42,151 | 1,116,111 | 19,845 | 23,259 | 30,887 | 30,811 |
| Fresno | 225,092 | 4,967,665 | 14,689 | 108,550 | 26,013 | 137,870 |
| Glenn | 8,586 | 172,585 | 14,984 | 4,693 | 23,307 | 4,054 |
| Humboldt | 43,592 | 953,613 | 15,926 | 21,178 | 28,077 | 25,530 |
| Imperial | 35,897 | 679,813 | 12,421 | 20,619 | 17,898 | 16,093 |
| Inyo | 7,476 | 168,858 | 17,660 | 3,860 | 27,939 | 4,401 |
| Kern | 175,640 | 4,171,279 | 17,178 | 90,659 | 29,019 | 110,617 |
| Kings | 26,644 | 555,912 | 15,797 | 14,397 | 25,407 | 13,128 |
| Lake | 16,984 | 338,599 | 15,778 | 9,425 | 22,038 | 7,550 |
| Lassen | 8,053 | 187,985 | 19,583 | 4,671 | 28,646 | 4,437 |
| Los Angeles | 3,332,835 | 99,557,621 | 18,714 | 1,303,264 | 33,878 | 3,665,706 |
| Madera | 26,706 | 569,232 | 15,574 | 15,290 | 24,719 | 13,433 |
| Marin | 95,187 | 4,188,093 | 25,696 | 37,175 | 50,508 | 197,015 |
| Mariposa | 5,041 | 107,958 | 16,126 | 2,681 | 24,967 | 2,521 |
| Mendocino | 29,604 | 642,199 | 15,975 | 14,755 | 26,710 | 16,982 |
| Merced | 53,692 | 1,076,218 | 14,518 | 28,442 | 23,248 | 25,778 |
| Modoc | 2,841 | 55,443 | 16,066 | 1,654 | 23,184 | 1,271 |
| Mono | 3,529 | 81,739 | 17,168 | 1,471 | 30,347 | 2,168 |
| Monterey | 116,888 | 3,142,490 | 17,956 | 54,900 | 29,854 | 98,404 |
| Napa | 42,570 | 1,242,976 | 21,054 | 20,639 | 35,032 | 40,201 |
| Nevada | 26,133 | 666,133 | 19,034 | 14,799 | 28,293 | 18,097 |
| Orange | 982,342 | 33,055,827 | 22,580 | 433,577 | 42,841 | 1,186,911 |
| Placer | 64,345 | 1,894,313 | 21,776 | 34,998 | 35,595 | 56,695 |
| Plumas | 6,934 | 154,579 | 17,889 | 4,002 | 27,165 | 3,607 |
| Riverside | 333,191 | 8,811,236 | 18,885 | 173,461 | 30,812 | 244,541 |
| Sacramento | 392,616 | 10,359,786 | 20,039 | 172,837 | 34,871 | 300,654 |
| San Benito | 12,453 | 305,181 | 16,922 | 6,433 | 29,941 | 8,258 |
| San Bernardino | 417,711 | 11,063,501 | 20,548 | 214,223 | 33,576 | 287,790 |
| San Diego | 903,367 | 25,404,140 | 19,397 | 403,146 | 33,816 | 803,386 |
| San Francisco | 362,730 | 10,361,644 | 18,827 | 100,030 | 31,698 | 419,972 |
| San Joaquin | 165,006 | 3,927,259 | 17,263 | 80,955 | 30,336 | 109,670 |
| San Luis Obispo | 74,188 | 1,854,098 | 18,382 | 36,956 | 30,182 | 50,576 |
| San Mateo | 285,061 | 10,995,158 | 25,387 | 121,285 | 44,822 | 455,994 |
| Santa Barbara | 140,022 | 4,239,032 | 19,706 | 62,218 | 34,537 | 149,429 |
| Santa Clara | 643,029 | 22,308,784 | 25,137 | 272,694 | 45,269 | 831,353 |
| Santa Cruz | 96,353 | 2,615,430 | 18,421 | 41,625 | 32,970 | 83,598 |
| Shasta | 51,906 | 1,165,241 | 15,989 | 28,259 | 26,453 | 30,162 |

TABLE 16—Continued
**PERSONAL INCOME TAX STATISTICS, BY COUNTY, 1987 INCOME YEAR**

| County | All returns—taxable and nontaxable | | | Joint returns | | |
|---|---|---|---|---|---|---|
| | Number of returns | Adjusted gross income (Thousands) | Median income | Number of returns | Median income | Tax assessed (Thousands) |
| Sierra | 1,171 | 26,063 | 18,489 | 659 | 26,568 | 617 |
| Siskiyou | 15,992 | 320,772 | 15,544 | 8,858 | 23,792 | 7,533 |
| Solano | 112,764 | 3,208,280 | 23,485 | 57,416 | 37,879 | 85,957 |
| Sonoma | 154,826 | 4,335,715 | 20,464 | 71,266 | 35,549 | 134,737 |
| Stanislaus | 125,583 | 2,941,165 | 16,619 | 63,801 | 28,287 | 81,297 |
| Sutter | 21,897 | 487,621 | 15,693 | 11,904 | 25,558 | 12,982 |
| Tehama | 14,733 | 291,736 | 15,443 | 8,320 | 23,123 | 6,591 |
| Trinity | 4,260 | 87,941 | 16,636 | 2,500 | 24,265 | 1,890 |
| Tulare | 95,815 | 1,914,452 | 13,530 | 51,974 | 22,094 | 46,477 |
| Tuolumne | 16,934 | 387,566 | 17,719 | 9,443 | 26,677 | 9,483 |
| Ventura | 253,269 | 7,982,988 | 22,691 | 126,601 | 39,550 | 253,052 |
| Yolo | 51,568 | 1,342,219 | 17,207 | 23,164 | 32,204 | 39,364 |
| Yuba | 17,347 | 304,951 | 13,383 | 9,199 | 20,986 | 6,059 |
| Unallocated [1] | 149,900 | 3,757,508 | 15,677 | 58,578 | 33,824 | 109,351 |
| Resident Out of State [2] | 98,749 | 3,437,600 | 18,353 | 38,573 | 32,232 | 150,002 |
| Nonresident | 225,326 | 16,084,504 | 27,344 | 129,125 | 39,910 | 163,100 |
| Totals: | | | | | | |
| 58 Counties | 11,087,636 | $325,871,920 | – | 4,839,977 | – | $11,142,790 |
| All | 11,561,611 | $349,151,532 | $19,900 | 5,066,253 | $34,795 | $11,565,243 |

[1] Unable to determine county of residence from tax returns.
[2] Resident returns filed with out-of-state address.
Source: California Franchise Tax Board.

TABLE 17
**CONSUMER PRICE INDEX, UNITED STATES, CALIFORNIA, LOS ANGELES, SAN FRANCISCO, AND SAN DIEGO, 1970–89**
(1982–84 = 100)

| Year | United States | California [a] | Los Angeles-Long Beach [b] | San Francisco-Oakland [c] | San Diego [d] |
|---|---|---|---|---|---|
| All Urban Consumers | | | | | |
| 1970 | 38.8 | 37.9 | 38.7 | 37.7 | 34.1 |
| 1971 | 40.5 | 39.3 | 40.1 | 39.1 | 35.4 |
| 1972 | 41.8 | 40.6 | 41.4 | 40.4 | 36.8 |
| 1973 | 44.4 | 43.0 | 43.7 | 42.8 | 39.2 |
| 1974 | 49.3 | 47.4 | 48.2 | 47.0 | 43.5 |
| 1975 | 53.8 | 52.3 | 53.3 | 51.8 | 47.6 |
| 1976 | 56.9 | 55.6 | 56.9 | 54.6 | 50.5 |
| 1977 | 60.6 | 59.5 | 60.8 | 58.8 | 53.8 |
| 1978 | 65.2 | 64.4 | 65.3 | 64.3 | 59.2 |
| 1979 | 72.6 | 71.3 | 72.3 | 69.8 | 68.9 |
| 1980 | 82.4 | 82.4 | 83.7 | 80.4 | 79.4 |
| 1981 | 90.9 | 91.4 | 91.9 | 90.8 | 90.1 |
| 1982 | 96.5 | 97.3 | 97.3 | 97.6 | 96.2 |
| 1983 | 99.6 | 98.9 | 99.1 | 98.4 | 99.0 |
| 1984 | 103.9 | 103.8 | 103.6 | 104.0 | 104.8 |
| 1985 | 107.6 | 108.6 | 108.4 | 108.4 | 110.4 |
| 1986 | 109.6 | 112.0 | 111.9 | 111.6 | 113.5 |
| 1987 | 113.6 | 116.6 | 116.7 | 115.4 | 117.5 |
| 1988 | 118.3 | 121.9 | 122.1 | 120.5 | 123.4 |
| 1989 | 124.0 | 128.0 | 128.3 | 126.4 | 130.6 |
| Urban Wage Earners and Clerical Earners | | | | | |
| 1970 | 39.0 | 38.2 | 38.7 | 38.0 | 35.8 |
| 1971 | 40.7 | 39.6 | 40.1 | 39.4 | 37.1 |
| 1972 | 42.1 | 40.9 | 41.4 | 40.8 | 38.6 |
| 1973 | 44.7 | 43.3 | 43.7 | 43.2 | 41.1 |
| 1974 | 49.6 | 47.7 | 48.2 | 47.4 | 45.6 |
| 1975 | 54.1 | 52.6 | 53.3 | 52.2 | 49.9 |
| 1976 | 57.2 | 55.9 | 56.8 | 55.2 | 52.9 |
| 1977 | 60.9 | 59.9 | 60.8 | 59.4 | 56.4 |
| 1978 | 65.6 | 64.7 | 65.1 | 64.8 | 61.9 |
| 1979 | 73.1 | 72.1 | 72.8 | 70.5 | 71.4 |
| 1980 | 82.9 | 83.6 | 84.7 | 81.2 | 82.1 |
| 1981 | 91.4 | 92.7 | 93.1 | 91.6 | 92.8 |
| 1982 | 96.9 | 98.5 | 98.5 | 98.2 | 99.4 |
| 1983 | 99.8 | 99.0 | 99.3 | 98.2 | 99.0 |
| 1984 | 103.3 | 102.5 | 102.2 | 103.7 | 101.7 |
| 1985 | 106.9 | 106.7 | 106.5 | 107.8 | 104.5 |
| 1986 | 108.6 | 109.6 | 109.5 | 110.7 | 107.2 |
| 1987 | 112.5 | 113.9 | 114.0 | 114.3 | 111.1 |
| 1988 | 117.0 | 118.9 | 119.0 | 119.4 | 116.5 |
| 1989 | 122.6 | 124.9 | 124.9 | 125.5 | 123.5 |

[a] Computed by the Department of Industrial Relations, Division of Labor Statistics and Research as a weighted average of the indexes for Los Angeles-Long Beach, San Francisco-Oakland, and from 1965–86, San Diego.
[b] 1978–86: Los Angeles and Orange counties. Starting with 1987, Riverside, San Bernardino, and Ventura counties are also included.
[c] 1978–86: Alameda, Contra Costa, Marin, San Francisco, and San Mateo counties. Starting with 1987, Napa, Santa Clara, Santa Cruz, Solano, and Sonoma counties are also included.
[d] San Diego County.
Source: U.S. Department of Labor, Bureau of Labor Statistics and California Department of Industrial Relations.

TABLE 18

**CALIFORNIA CASH FARM INCOME, NONCASH INCOME, INVENTORY ADJUSTMENT, PRODUCTION EXPENSES AND INCOME, 1960–88**

(Dollars in millions)

| Year | Cash farm income [a] | Noncash income [b] | Inventory adjustment | Gross farm income [c] | Production expense | Net farm income |
|---|---|---|---|---|---|---|
| 1960 | 3,271 | 134 | 45 | 3,450 | 2,476 | 974 |
| 1961 | 3,317 | 146 | −5 | 3,458 | 2,577 | 881 |
| 1962 | 3,485 | 143 | 87 | 3,715 | 2,758 | 957 |
| 1963 | 3,582 | 146 | 3 | 3,731 | 2,827 | 904 |
| 1964 | 3,747 | 149 | 15 | 3,911 | 2,842 | 1,069 |
| 1965 | 3,803 | 154 | 60 | 4,017 | 3,043 | 974 |
| 1966 | 4,188 | 156 | −40 | 4,304 | 3,212 | 1,092 |
| 1967 | 4,096 | 150 | 17 | 4,263 | 3,297 | 966 |
| 1968 | 4,452 | 151 | 39 | 4,642 | 3,474 | 1,168 |
| 1969 | 4,656 | 154 | −62 | 4,749 | 3,661 | 1,088 |
| 1970 | 4,717 | 152 | −16 | 4,854 | 3,828 | 1,025 |
| 1971 | 5,028 | 161 | 21 | 5,210 | 4,193 | 1,017 |
| 1972 | 5,698 | 171 | 15 | 5,884 | 4,324 | 1,560 |
| 1973 | 7,401 | 192 | 160 | 7,753 | 5,197 | 2,556 |
| 1974 | 8,678 | 223 | 162 | 9,063 | 6,197 | 2,866 |
| 1975 | 8,587 | 265 | 81 | 8,933 | 6,599 | 2,334 |
| 1976 | 9,214 | 291 | −25 | 9,479 | 7,231 | 2,248 |
| 1977 | 9,623 | 295 | 6 | 9,924 | 7,584 | 2,340 |
| 1978 | 10,846 | 340 | −19 | 11,166 | 8,536 | 2,631 |
| 1979 | 13,067 | 466 | 208 | 13,741 | 10,034 | 3,707 |
| 1980 | 14,116 | 581 | 211 | 14,907 | 10,809 | 4,098 |
| 1981 | 14,205 | 688 | 614 | 15,506 | 11,476 | 4,030 |
| 1982 | 14,872 | 783 | −449 | 15,206 | 12,003 | 3,203 |
| 1983 | 13,818 | 801 | −124 | 14,495 | 11,936 | 2,558 |
| 1984 | 14,984 | 796 | 304 | 16,084 | 12,179 | 3,905 |
| 1985 | 14,884 | 718 | 139 | 15,740 | 11,584 | 4,156 |
| 1986 | 15,452 | 657 | −390 | 15,720 | 10,897 | 4,823 |
| 1987 | 16,533 | 577 | 11 | 17,122 | 11,066 | 6,055 |
| 1988 | 17,193 | 567 | −18 | 17,742 | 11,684 | 6,058 |

[a] Receipts from marketings plus government payments, other farm income and nonmoney income.
[b] Value of home consumption and gross rental value of farm dwellings.
[c] Net farm income before adjustment plus net change in inventories. May not total due to rounding.
Source: United States Department of Agriculture, Economic Research Service.

TABLE 19
**CALIFORNIA CASH FARM INCOME, ALL CROPS, LIVESTOCK AND POULTRY, OTHER FARM INCOME, AND GOVERNMENT PAYMENTS, 1960–88**
(Dollars in millions)

| Year | Cash farm income[a] | All crops | Livestock and poultry | Other farm related income[b] | Government payments |
|---|---|---|---|---|---|
| 1960 | 3,271 | 1,976 | 1,246 | 27 | 22 |
| 1961 | 3,317 | 1,985 | 1,278 | 26 | 28 |
| 1962 | 3,485 | 2,081 | 1,344 | 28 | 32 |
| 1963 | 3,582 | 2,170 | 1,350 | 30 | 32 |
| 1964 | 3,747 | 2,369 | 1,309 | 35 | 34 |
| 1965 | 3,803 | 2,295 | 1,427 | 40 | 41 |
| 1966 | 4,188 | 2,477 | 1,565 | 42 | 104 |
| 1967 | 4,096 | 2,374 | 1,564 | 48 | 110 |
| 1968 | 4,452 | 2,679 | 1,621 | 51 | 101 |
| 1969 | 4,656 | 2,711 | 1,768 | 54 | 123 |
| 1970 | 4,717 | 2,718 | 1,815 | 52 | 132 |
| 1971 | 5,028 | 2,980 | 1,876 | 59 | 113 |
| 1972 | 5,698 | 3,430 | 2,086 | 60 | 122 |
| 1973 | 7,401 | 4,659 | 2,563 | 73 | 106 |
| 1974 | 8,678 | 5,796 | 2,786 | 78 | 18 |
| 1975 | 8,587 | 5,674 | 2,800 | 97 | 16 |
| 1976 | 9,214 | 6,173 | 2,923 | 105 | 13 |
| 1977 | 9,623 | 6,495 | 2,947 | 106 | 75 |
| 1978 | 10,846 | 7,302 | 3,381 | 107 | 57 |
| 1979 | 13,067 | 8,658 | 4,227 | 122 | 61 |
| 1980 | 14,116 | 9,899 | 4,089 | 115 | 14 |
| 1981 | 14,205 | 9,839 | 4,219 | 124 | 23 |
| 1982 | 14,872 | 10,089 | 4,393 | 255 | 135 |
| 1983 | 13,818 | 9,015 | 4,213 | 237 | 353 |
| 1984 | 14,984 | 9,891 | 4,529 | 229 | 335 |
| 1985 | 14,884 | 9,988 | 4,324 | 270 | 302 |
| 1986 | 15,452 | 10,395 | 4,435 | 234 | 388 |
| 1987 | 16,533 | 11,382 | 4,426 | 263 | 462 |
| 1988 | 17,193 | 11,894 | 4,704 | 260 | 335 |

[a] Receipts from marketings plus government payments and other farm income (may not total due to rounding).
[b] Includes forest product sales, recreational income and other farm business related income. Estimates for 1982 and later include income from custom feeding services.
Source: United States Department of Agriculture, Economic Research Service.

TABLE 20
**CALIFORNIA CASH FARM RECEIPTS FROM CROPS, 1960–88**
(Dollars in millions)

| Year | All crops | Fruits and nuts | Vegetables | Field crops | Nursery products |
|---|---|---|---|---|---|
| 1960 | 1,976 | 586 | 448 | 830 | 112 |
| 1961 | 1,985 | 587 | 475 | 804 | 119 |
| 1962 | 2,081 | 601 | 522 | 826 | 132 |
| 1963 | 2,170 | 647 | 505 | 879 | 139 |
| 1964 | 2,369 | 724 | 563 | 917 | 165 |
| 1965 | 2,295 | 631 | 594 | 900 | 170 |
| 1966 | 2,477 | 712 | 690 | 893 | 182 |
| 1967 | 2,374 | 666 | 713 | 807 | 188 |
| 1968 | 2,679 | 786 | 855 | 842 | 196 |
| 1969 | 2,711 | 848 | 782 | 864 | 217 |
| 1970 | 2,718 | 824 | 771 | 889 | 234 |
| 1971 | 2,980 | 935 | 915 | 884 | 246 |
| 1972 | 3,430 | 1,018 | 1,050 | 1,071 | 291 |
| 1973 | 4,659 | 1,554 | 1,191 | 1,549 | 365 |
| 1974 | 5,796 | 1,503 | 1,490 | 2,382 | 421 |
| 1975 | 5,674 | 1,507 | 1,633 | 2,064 | 470 |
| 1976 | 6,173 | 1,608 | 1,589 | 2,427 | 549 |
| 1977 | 6,495 | 2,017 | 1,889 | 2,001 | 588 |
| 1978 | 7,302 | 2,555 | 2,125 | 1,957 | 665 |
| 1979 | 8,658 | 3,151 | 2,232 | 2,470 | 805 |
| 1980 | 9,899 | 3,252 | 2,557 | 3,184 | 906 |
| 1981 | 9,839 | 3,182 | 2,846 | 2,871 | 940 |
| 1982 | 10,089 | 3,416 | 2,734 | 2,995 | 944 |
| 1983 | 9,015 | 2,718 | 2,952 | 2,328 | 1,017 |
| 1984 | 9,891 | 3,246 | 3,113 | 2,287 | 1,245 |
| 1985 | 9,988 | 3,372 | 2,892 | 2,435 | 1,289 |
| 1986 | 10,395 | 3,666 | 3,173 | 2,218 | 1,338 |
| 1987 | 11,382 | 4,125 | 3,474 | 2,319 | 1,464 |
| 1988 | 11,894 | 4,356 | 3,460 | 2,502 | 1,576 |

Source: United States Department of Agriculture, Economic Research Service

TABLE 21
**AGRICULTURAL EMPLOYMENT IN CALIFORNIA, 1972–89**

| Year and month | Total wage and salary employment | Agricultural production | Agricultural services [a] |
|---|---|---|---|
| 1972 | 268.1 | 208.3 | 59.8 |
| 1973 | 288.9 | 222.4 | 66.6 |
| 1974 | 308.1 | 236.9 | 71.2 |
| 1975 | 315.7 | 243.7 | 72.0 |
| 1976 | 323.5 | 248.2 | 75.3 |
| 1977 | 314.7 | 241.7 | 72.9 |
| 1978 | 323.9 | 245.1 | 78.9 |
| 1979 | 338.6 | 253.6 | 85.0 |
| 1980 | 352.3 | 261.9 | 90.3 |
| 1981 | 354.4 | 258.6 | 95.8 |
| 1982 | 358.9 | 260.7 | 98.3 |
| 1983 | 347.3 | 250.3 | 97.1 |
| 1984 | 347.3 | 248.6 | 98.7 |
| 1985 | 335.4 | 232.7 | 102.7 |
| 1986 | 327.6 | 222.0 | 105.6 |
| 1987 | 345.0 | 227.2 | 117.8 |
| 1988 | 360.6 | 235.5 | 125.1 |
| 1989 | 362.5 | 233.4 | 129.1 |
| 1989 January | 284.8 | 190.6 | 94.2 |
| February | 273.5 | 185.4 | 88.1 |
| March | 279.7 | 191.1 | 88.6 |
| April | 341.0 | 220.3 | 120.7 |
| May | 397.8 | 250.2 | 147.6 |
| June | 431.4 | 265.5 | 165.9 |
| July | 422.9 | 265.0 | 157.9 |
| August | 441.0 | 282.4 | 158.6 |
| September | 475.0 | 305.4 | 169.6 |
| October | 383.0 | 245.6 | 137.4 |
| November | 314.0 | 201.1 | 112.9 |
| December | 306.0 | 198.3 | 107.7 |

[a] Agricultural services includes forestry and fishing, but excludes veterinary, other animal, and landscape and horticultural services.
Source: California Employment Development Department (Official U.S. Bureau of Labor Statistics series. The text portion of the report uses the interim series prepared by the Department of Finance.)

TABLE 22

**CORPORATE INCOME REPORTED FOR STATE TAXATION, 1960–87**

| Year [b] | Number of corporations [a] | | | | Income reported for state taxation (In millions) | | |
|---|---|---|---|---|---|---|---|
| | Total | With net income | With net loss | No income or loss | Total | Net income [c] | Net loss [d] |
| 1960 | 101,081 | 56,987 | 28,743 | 15,351 | $3,517 | $4,182 | $−665 |
| 1961 | 105,645 | 59,746 | 31,802 | 14,097 | 3,717 | 4,509 | −792 |
| 1962 | 110,294 | 63,400 | 31,954 | 14,940 | 3,970 | 4,754 | −784 |
| 1963 | 114,667 | 66,496 | 33,667 | 14,504 | 4,283 | 5,092 | −809 |
| 1964 | 118,860 | 69,555 | 34,254 | 15,051 | 4,626 | 5,526 | −900 |
| 1965 | 122,399 | 71,484 | 35,625 | 15,290 | 5,126 | 6,007 | −881 |
| 1966 | 124,690 | 73,076 | 35,664 | 15,950 | 5,643 | 6,638 | −995 |
| 1967 | 125,677 | 73,433 | 38,188 | 14,056 | 5,252 | 6,456 | −1,203 |
| 1968 | 128,505 | 77,238 | 36,754 | 14,513 | 6,003 | 7,255 | −1,251 |
| 1969 | 136,695 | 80,348 | 38,627 | 17,720 | 5,643 | 7,477 | −1,834 |
| 1970 | 145,352 | 81,340 | 44,318 | 19,694 | 4,386 | 6,712 | −2,326 |
| 1971 | 151,216 | 83,664 | 47,621 | 19,931 | 4,804 | 7,249 | −2,445 |
| 1972 | 158,932 | 91,055 | 47,214 | 20,663 | 6,465 | 8,561 | −2,096 |
| 1973 | 165,676 | 97,377 | 46,937 | 21,362 | 7,911 | 10,208 | −2,296 |
| 1974 | 172,185 | 102,680 | 49,962 | 19,543 | 8,978 | 11,734 | −2,757 |
| 1975 | 177,665 | 106,213 | 53,965 | 17,487 | 8,362 | 11,672 | −3,309 |
| 1976 | 184,326 | 113,614 | 54,249 | 16,463 | 11,916 | 14,808 | −2,892 |
| 1977 | 200,393 | 124,175 | 57,949 | 18,269 | 14,941 | 17,830 | −2,889 |
| 1978 | 221,527 | 138,495 | 63,725 | 19,307 | 18,728 | 21,974 | −3,246 |
| 1979 | 248,188 | 154,468 | 72,343 | 21,377 | 20,735 | 24,826 | −4,091 |
| 1980 | 275,493 | 165,183 | 86,482 | 23,828 | 20,654 | 25,825 | −5,171 |
| 1981 | 299,215 | 172,122 | 101,398 | 25,695 | 16,367 | 24,214 | −7,847 |
| 1982 | 326,264 | 175,054 | 120,964 | 30,246 | 10,745 | 22,828 | −12,083 |
| 1983 | 337,165 | 184,408 | 125,149 | 27,614 | 16,485 | 26,628 | −10,143 |
| 1984 | 397,854 | 208,566 | 149,831 | 39,456 | 19,349 | 31,742 | −12,393 |
| 1985 | 388,244 | 207,388 | 139,408 | 41,448 | 21,120 | 34,308 | −13,188 |
| 1986 | 414,602 | 216,677 | 149,684 | 48,241 | 25,457 | 40,043 | −14,585 |
| 1987 | 464,186 | 245,505 | 164,933 | 53,748 | 29,719 | 45,619 | −15,900 |

[a] Includes a slight amount of duplication as a result of mergers, consolidations, changes in corporate names and changes of income year which necessitated filing more than one state franchise tax return during the year. In 1961 this duplication amounted to approximately 205 corporations, or 0.5 percent of the total.

[b] Includes corporations with fiscal years ending in the calendar year shown.

[c] Income of corporations reporting net income.

[d] Income of all corporations reporting net loss.

Source: California Franchise Tax Board.

TABLE 23
**BANK AND CORPORATION FRANCHISE TAX RETURNS REPORTING NET INCOME SUBJECT TO STATE TAXATION, BY INDUSTRY, 1986 AND 1987**
(Dollars in thousands)

| Industry | 1986 Taxable Year | | | | 1987 Taxable Year | | | |
|---|---|---|---|---|---|---|---|---|
| | Corporations reporting net income subject to state taxation | | All reporting corporations | | Corporations reporting net income subject to state taxation | | All reporting corporations | |
| | Number | Net income | Number | Net income less net loss | Number | Net income | Number | Net income less net loss |
| **Agriculture, Forestry, and Fishery** | 4,263 | $463,795 | 8,185 | $188,962 | 5,305 | $491,952 | 9,517 | $289,280 |
| **Mining** | 881 | $641,874 | 2,733 | $232,829 | 1,179 | $595,001 | 2,944 | $119,408 |
| Crude petroleum and natural gas production | 529 | 462,541 | 1,769 | 128,148 | 748 | 293,661 | 1,759 | −136,227 |
| Other mining and quarrying | 352 | 179,333 | 964 | 104,681 | 431 | 301,340 | 1,185 | 255,635 |
| **Construction** | 17,058 | $1,188,306 | 32,161 | $544,824 | 20,014 | $1,876,850 | 35,474 | $1,230,764 |
| **Manufacturing** | 22,848 | $13,666,106 | 43,630 | $9,391,228 | 26,211 | $14,596,724 | 48,123 | $10,987,780 |
| Beverages, food, and kindred products | 1,283 | 1,294,089 | 2,514 | 940,160 | 1,476 | 1,656,144 | 2,926 | 1,450,937 |
| Textile-mill products | 235 | 66,200 | 369 | 49,804 | 316 | 39,366 | 440 | 39,290 |
| Apparel and products made from fabric | 1,303 | 1,293,294 | 2,425 | 1,206,666 | 1,419 | 351,194 | 2,597 | 238,541 |
| Wood products, except furniture | 797 | 255,288 | 1,364 | 205,545 | 591 | 281,722 | 1,239 | 225,800 |
| Furniture and fixtures | 797 | 149,627 | 1,391 | 106,847 | 916 | 132,200 | 1,516 | 42,468 |
| Paper and allied products | 477 | 172,871 | 969 | 133,000 | 646 | 269,879 | 1,274 | 198,050 |
| Printing, publishing, and allied industries | 2,612 | 1,259,535 | 4,918 | 1,070,527 | 3,139 | 1,048,839 | 5,497 | 950,280 |
| Chemicals and allied products | 1,262 | 1,355,604 | 2,261 | 1,164,559 | 1,291 | 1,357,889 | 1,844 | 1,275,648 |
| Petroleum, coal, and rubber products | 1,027 | 705,196 | 2,051 | 192,107 | 1,189 | 1,389,278 | 2,595 | 1,059,560 |
| Stone, clay, and glass products | 595 | 333,473 | 1,069 | 287,486 | 583 | 583,982 | 1,087 | 537,093 |
| Primary metals | 303 | 88,770 | 560 | −44,859 | 354 | 125,534 | 655 | 56,613 |
| Electrical machinery and equipment | 2,723 | 2,686,161 | 5,956 | 1,200,331 | 3,236 | 2,177,840 | 6,336 | 1,153,210 |
| Transportation equipment | 796 | 1,843,306 | 1,608 | 1,628,612 | 1,047 | 1,971,964 | 1,978 | 1,777,834 |
| Other equipment | 1,560 | 468,461 | 3,047 | 241,656 | 1,354 | 999,701 | 2,863 | 503,681 |
| Precision equipment | 720 | 295,758 | 1,511 | 119,684 | 981 | 799,366 | 2,185 | 516,564 |
| Other fabricated metal products | 4,336 | 844,340 | 7,305 | 620,477 | 5,511 | 931,888 | 8,046 | 757,031 |
| Other manufacturing | 2,022 | 554,133 | 4,312 | 268,626 | 2,162 | 479,938 | 5,045 | 205,180 |
| **Services** | 86,600 | $3,976,903 | 162,721 | $1,340,145 | 107,781 | $4,593,845 | 200,542 | $1,206,934 |
| Motion picture production | 3,985 | 162,473 | 7,883 | −88,200 | 4,675 | 176,506 | 9,194 | −191,377 |
| Amusement services | 3,698 | 416,992 | 7,965 | 231,954 | 4,966 | 498,363 | 10,548 | 275,516 |
| Personal services | 1,960 | 97,424 | 4,053 | 55,526 | 2,052 | 97,259 | 4,326 | 65,499 |
| Business services | 17,225 | 1,099,643 | 36,113 | 251,531 | 18,258 | 1,255,810 | 36,853 | 74,823 |
| Professional services | 28,333 | 524,910 | 41,441 | 313,139 | 41,601 | 895,537 | 58,332 | 656,114 |
| Other services | 31,399 | 1,675,461 | 65,266 | 576,195 | 36,229 | 1,670,370 | 81,289 | 326,359 |

TABLE 23—Continued

**BANK AND CORPORATION FRANCHISE TAX RETURNS REPORTING NET INCOME SUBJECT TO STATE TAXATION, BY INDUSTRY, 1986 AND 1987**

(Dollars in thousands)

| Industry | 1986 Taxable Year | | | | 1987 Taxable Year | | | |
|---|---|---|---|---|---|---|---|---|
| | Corporations reporting net income subject to state taxation | | All reporting corporations | | Corporations reporting net income subject to state taxation | | All reporting corporations | |
| | Number | Net income | Number | Net income less net loss | Number | Net income | Number | Net income less net loss |
| **Trade** | 46,473 | $6,351,688 | 89,302 | $3,676,568 | 47,768 | $6,483,475 | 90,205 | $3,290,589 |
| Retail trade | 24,668 | 2,929,293 | 47,508 | 1,822,799 | 26,309 | 3,166,856 | 48,567 | 1,710,771 |
| Wholesale trade | 21,805 | 3,422,395 | 41,794 | 1,853,769 | 21,459 | 3,316,619 | 41,638 | 1,579,818 |
| **Finance, Insurance, and Real Estate** | 33,674 | $10,560,612 | 65,860 | $7,599,351 | 31,218 | $11,853,310 | 65,389 | $7,856,468 |
| Banks | 513 | 1,189,967 | 887 | 1,019,331 | 216 | 1,304,808 | 450 | 962,936 |
| Savings and loan assns & other financials | 991 | 2,065,698 | 1,981 | 1,259,117 | 675 | 2,245,467 | 1,324 | 1,181,226 |
| Real estate companies | 24,745 | 3,986,921 | 47,798 | 2,696,559 | 22,928 | 4,994,333 | 46,483 | 3,523,151 |
| Investment and insurance companies | 7,425 | 3,318,026 | 15,194 | 2,624,344 | 7,399 | 3,308,702 | 17,132 | 2,189,155 |
| **Utilities** | 4,880 | $3,193,225 | 10,010 | $2,483,304 | 6,029 | $5,128,008 | 11,992 | $4,737,669 |
| Transportation | 3,221 | 526,247 | 6,157 | 140,261 | 3,205 | 816,314 | 6,363 | 621,613 |
| Communications | 158 | 235,563 | 417 | 165,619 | 123 | 172,010 | 750 | 113,456 |
| Radio and television industries | 243 | 210,728 | 628 | 85,691 | 489 | 407,186 | 692 | 315,450 |
| Electric and gas utilities | 261 | 2,073,599 | 510 | 2,034,089 | 858 | 3,627,068 | 1,409 | 3,609,110 |
| Other public utilities | 997 | 147,088 | 2,298 | 57,644 | 1,354 | 105,430 | 2,778 | 78,040 |
| **Total** | 216,677 | $40,042,509 | 414,602 | $25,457,211 | 245,505 | $45,619,165 | 464,186 | $29,718,892 |

Source: California Franchise Tax Board.

TABLE 24
**CALIFORNIA BUILDING PERMIT ACTIVITY: NONRESIDENTIAL VALUATION BY SELECTED TYPES OF CONSTRUCTION, 1963–89**
(Dollars in thousands)

| Year | Commercial | Industrial | Other | Additions and alterations | Total [b] |
|---|---|---|---|---|---|
| 1963 | $734,878 | $198,932 | $708,507 | $280,024 | $1,922,338 |
| 1964 | 749,998 | 184,849 | 805,449 | 261,022 | 2,001,317 |
| 1965 | 845,483 | 207,844 | 656,461 | 286,488 | 1,996,275 |
| 1966 | 829,974 | 255,348 | 706,425 | 307,759 | 2,099,504 |
| 1967 | 728,496 | 283,612 | 601,256 | 268,139 | 1,881,503 |
| 1968 | 869,419 | 367,027 | 651,423 | 271,259 | 2,159,126 |
| 1969 | 1,016,925 | 395,697 | 666,768 | 452,097 | 2,531,490 |
| 1970 | 1,089,054 | 288,077 | 674,969 | 491,669 | 2,543,764 |
| 1971 | 1,401,364 | 326,049 | 978,580 | 263,473 | 2,969,469 |
| 1972 | 1,437,511 | 464,702 | 865,306 | 281,118 | 3,048,634 |
| 1973 | 1,349,105 | 717,549 | 826,827 | 337,156 | 3,230,637 |
| 1974 | 1,260,018 | 736,532 | 902,675 | 359,502 | 3,258,723 |
| 1975 | 1,296,132 | 491,032 | 952,261 | 366,794 | 3,106,221 |
| 1976 | 1,327,749 | 629,515 | 1,067,335 | 443,049 | 3,467,649 |
| 1977 | 1,890,490 | 1,093,685 | 1,229,912 | 498,550 | 4,712,638 |
| 1978 | 2,477,474 | 1,556,132 | 1,318,691 | 606,069 | 5,958,365 |
| 1979 | 3,377,019 | 1,812,478 | 1,383,480 | 721,923 | 7,294,901 |
| 1980 [a] | 3,274,077 | 1,276,735 | 1,202,941 | 1,716,358 | 7,470,107 |
| 1981 | 4,034,262 | 1,484,012 | 1,308,222 | 2,079,349 | 8,905,843 |
| 1982 | 4,176,487 | 1,051,366 | 1,401,367 | 2,100,651 | 8,729,875 |
| 1983 | 4,456,644 | 1,312,567 | 1,478,114 | 2,663,477 | 9,910,801 |
| 1984 | 5,644,100 | 2,020,400 | 1,560,600 | 2,743,500 | 11,968,600 |
| 1985 | 6,235,954 | 1,956,566 | 1,800,293 | 3,324,965 | 13,317,778 |
| 1986 | 5,742,452 | 2,134,394 | 1,887,069 | 3,401,499 | 13,165,415 |
| 1987 | 5,686,771 | 1,803,318 | 1,747,206 | 3,664,011 | 12,901,306 |
| 1988 | 6,568,580 | 1,802,032 | 1,769,095 | 4,020,603 | 14,160,310 |
| 1989 | 6,118,369 | 1,692,266 | 1,546,947 | 4,281,630 | 13,639,212 |

[a] Prior to 1980 all additions and alterations of $100,000 or over were recorded as new construction in either the commercial, industrial or other category.
[b] Parts may not add to total due to rounding.
Source: Construction Industry Research Board.
Security Pacific National Bank through 1986.

TABLE 25
**RESIDENTIAL HOUSING UNITS AUTHORIZED BY PERMITS, CALIFORNIA, 1963–89**

| Year | Single | Multiple | Total | Additions and alterations valuation (Millions) | Total residential valuation (Millions) |
|---|---|---|---|---|---|
| 1963 | 131,544 | 190,472 | 322,016 | $264 | $4,066 |
| 1964 | 112,977 | 155,430 | 268,407 | 285 | 3,742 |
| 1965 | 95,156 | 82,426 | 177,582 | 280 | 2,910 |
| 1966 | 65,405 | 33,967 | 99,372 | 259 | 1,926 |
| 1967 | 68,417 | 43,575 | 111,992 | 260 | 2,108 |
| 1968 | 86,957 | 73,022 | 159,979 | 268 | 2,838 |
| 1969 | 80,134 | 104,211 | 184,345 | 267 | 3,148 |
| 1970 | 71,344 | 124,348 | 195,692 | 271 | 3,177 |
| 1971 | 113,260 | 143,729 | 256,989 | 303 | 4,529 |
| 1972 | 124,064 | 155,606 | 279,670 | 330 | 5,390 |
| 1973 | 102,571 | 113,508 | 216,079 | 350 | 4,883 |
| 1974 | 76,204 | 53,025 | 129,229 | 434 | 3,687 |
| 1975 | 89,823 | 41,909 | 131,732 | 529 | 4,541 |
| 1976 | 140,293 | 81,647 | 221,940 | 659 | 8,023 |
| 1977 | 174,874 | 95,766 | 270,640 | 840 | 10,494 |
| 1978 | 141,537 | 102,268 | 243,805 | 947 | 10,604 |
| 1979 | 127,499 | 82,577 | 210,076 | 1,103 | 10,791 |
| 1980 | 86,632 | 58,355 | 144,987 | 1,234 | 9,098 |
| 1981 | 59,973 | 44,900 | 104,873 | 1,235 | 7,520 |
| 1982 | 49,852 | 34,521 | 84,373 | 1,242 | 6,179 |
| 1983 | 99,299 | 69,059 | 168,358 | 1,493 | 11,511 |
| 1984 | 107,346 | 110,661 | 218,007 | 1,567 | 14,514 |
| 1985 | 109,809 | 153,873 | 263,682 | 1,683 | 17,599 |
| 1986 | 143,013 | 159,921 | 302,934 | 1,870 | 22,319 |
| 1987 | 136,128 | 117,043 | 253,171 | 2,164 | 22,116 |
| 1988 | 162,167 | 93,392 | 255,559 | 2,473 | 26,361 |
| 1989 | 162,602 | 75,035 | 237,637 | 2,935 | 27,727 |

Source: Construction Industry Research Board.
Security Pacific National Bank through 1986.

TABLE 26

**TAXABLE TRANSACTIONS IN CALIFORNIA AND OUTSTANDING SALES TAX PERMITS, BY TYPE OF OUTLET, 1960–1989**

| Calendar year | Taxable transactions | | Sales tax permits outstanding [a] | | | |
|---|---|---|---|---|---|---|
| | All outlets (In millions) | Retail stores (In millions) | Total | Retail [b] stores | Personal service shops | Other [c] |
| 1960 | $23,361 | $15,645 | 346,706 | 150,512 | 58,997 | 137,197 |
| 1961 | 23,987 | 16,077 | 351,540 | 148,899 | 59,516 | 143,125 |
| 1962 | 25,969 | 17,522 | 355,403 | 151,769 | 57,591 | 146,043 |
| 1963 | 27,892 | 18,893 | 362,614 | 154,517 | 57,105 | 150,992 |
| 1964 | 30,265 | 20,550 | 372,387 | 157,344 | 56,749 | 158,294 |
| 1965 | 31,908 | 21,516 | 381,203 | 161,109 | 56,002 | 164,092 |
| 1966 | 34,236 | 22,624 | 389,867 | 163,087 | 55,326 | 171,454 |
| 1967 | 35,122 | 23,512 | 392,705 | 163,821 | 54,624 | 174,260 |
| 1968 | 39,007 | 26,168 | 401,980 | 165,285 | 54,993 | 181,702 |
| 1969 | 42,378 | 28,254 | 411,375 | 167,887 | 55,066 | 188,422 |
| 1970 | 43,223 | 28,699 | 426,766 | 171,094 | 56,173 | 199,499 |
| 1971 | 46,815 | 31,496 | 440,935 | 173,343 | 57,359 | 210,233 |
| 1972 | 53,714 | 36,518 | 459,616 | 177,261 | 58,815 | 233,540 |
| 1973 | 61,738 | 42,119 | 474,733 | 180,330 | 59,943 | 234,460 |
| 1974 | 68,071 | 45,797 | 492,937 | 182,570 | 60,918 | 249,449 |
| 1975 | 73,476 | 49,800 | 520,499 | 187,399 | 62,951 | 270,149 |
| 1976 | 83,822 | 57,343 | 552,162 | 193,925 | 65,868 | 292,369 |
| 1977 | 99,482 | 67,491 | 583,704 | 200,452 | 69,271 | 313,981 |
| 1978 | 113,468 | 76,366 | 611,397 | 206,951 | 72,003 | 332,443 |
| 1979 | 131,678 | 87,270 | 642,152 | 212,804 | 75,185 | 354,163 |
| 1980 | 142,759 | 94,211 | 673,679 | 218,945 | 78,272 | 376,462 |
| 1981 | 155,127 | 101,666 | 698,080 | 223,201 | 79,952 | 394,927 |
| 1982 | 154,553 | 102,009 | 740,577 | 230,023 | 83,223 | 427,331 |
| 1983 | 169,413 | 113,350 | 764,815 | 233,522 | 85,697 | 445,596 |
| 1984 | 194,014 | 126,736 | 783,718 | 240,108 | 88,839 | 454,771 |
| 1985 | 208,574 | 135,901 | 808,549 | 246,878 | 92,465 | 469,206 |
| 1986 | 217,465 | 141,880 | 841,630 | 258,248 | 96,886 | 486,496 |
| 1987 | 231,870 | 150,252 | 867,132 | 271,330 | 100,689 | 495,113 |
| 1988 | 251,078 | 162,517 | 880,216 | 281,218 | 103,748 | 495,250 |
| 1989 | 269,780 [d] | n.a. | 898,222 | 290,982 | 106,253 | 500,987 |

[a] Permits as of July 1.
[b] Exclusive of itinerant and mail-order vendors.
[c] Consists of manufacturing, wholesaling, contracting, and miscellaneous outlets and itinerant and mail-order vendors.
[d] Department of Finance estimate as of December 1989.
n.a. Not available.
Source: California State Board of Equalization.

TABLE 27

**TAXABLE TRANSACTIONS IN CALIFORNIA BY TYPE OF BUSINESS, 1984–89**

(Dollars in millions)

| | 1984 | 1985 | 1986 [d] | 1987 [d] | 1988 [d] | 1989 [e] |
|---|---|---|---|---|---|---|
| Total, all outlets | $194,014 | $208,574 | $217,465 | $231,870 | $251,078 | $269,780 |
| Retail stores | 126,736 | 135,901 | 141,880 | 150,252 | 162,517 | n.a. |
| Apparel stores | 6,107 | 6,532 | 7,089 | 7,694 | 8,676 | n.a. |
| General merchandise and drug stores [a] | 20,277 | 21,867 | 23,099 | 25,637 | 27,238 | n.a. |
| Specialty stores | 14,642 | 15,636 | 16,298 | 18,321 | 20,270 | n.a. |
| Grocery stores [b] | 11,832 | 12,490 | 12,810 | 12,483 | 13,005 | n.a. |
| Liquor stores | 1,936 | 1,892 | 1,894 | 2,089 | 2,027 | n.a. |
| Eating and drinking places | 16,038 | 17,221 | 18,182 | 19,538 | 20,920 | n.a. |
| Home furnishings and appliance stores | 6,238 | 6,676 | 7,280 | 7,909 | 8,690 | n.a. |
| Farm and garden | 2,504 | 2,545 | 2,649 | 2,863 | 3,223 | n.a. |
| Building materials | 8,191 | 9,084 | 10,265 | 11,148 | 12,670 | n.a. |
| New car dealers | 19,272 | 21,743 | 24,256 | 23,393 | 25,342 | n.a. |
| Automotive group [c] | 19,699 | 20,215 | 18,058 | 19,178 | 20,456 | n.a. |
| Other | | | | | | |
| Business and personal services | 7,981 | 8,807 | 9,520 | 10,628 | 11,574 | n.a. |
| All other outlets | 59,296 | 63,866 | 66,066 | 70,990 | 76,987 | n.a. |

[a] Excludes exempt sales of prescription medicines.
[b] Excludes exempt sales of food for home consumption.
[c] Excludes new car dealers.
[d] Numbers independently rounded.
[e] Department of Finance estimate as of December 1989.
n.a. Not available.
Source: California Board of Equalization.

TABLE 28
**DEMAND AND TIME DEPOSITS, ALL INSURED COMMERCIAL BANKS, CALIFORNIA, 1960–89**
(Dollars in millions)

| Year [a] | Demand deposits | Time and savings deposits |
|---|---|---|
| 1960 | $12,954 | $11,385 |
| 1961 | 14,232 | 12,851 |
| 1962 | 14,426 | 14,593 |
| 1963 | 14,939 | 16,042 |
| 1964 | 15,683 | 17,983 |
| 1965 | 15,232 | 20,109 |
| 1966 | 15,671 | 21,614 |
| 1967 | 17,492 | 23,762 |
| 1968 | 19,003 | 26,418 |
| 1969 | 19,989 | 23,513 |
| 1970 | 20,713 | 28,636 |
| 1971 | 22,463 | 33,699 |
| 1972 | 26,607 | 37,461 |
| 1973 | 28,060 | 42,789 |
| 1974 | 27,916 | 51,268 |
| 1975 | 30,682 | 54,635 |
| 1976 | 32,119 | 56,775 |
| 1977 | 37,516 | 63,494 |
| 1978 | 40,897 | 72,462 |
| 1979 | 44,951 | 77,008 |
| 1980 | 44,976 | 92,361 |
| 1981 | 42,675 | 109,633 |
| 1982 | 40,531 | 124,743 |
| 1983 | 45,544 | 133,137 |
| 1984 | 47,962 | 135,696 |
| 1985 | 54,447 | 139,015 |
| 1986 | 66,417 | 140,041 |
| 1987 | 55,652 | 141,762 |
| 1988 | 59,975 | 149,439 |
| 1989 [p] | 62,415 | 165,201 |

[a] As of December call reports, not seasonally adjusted.
[p] Preliminary.
Source: Federal Reserve Bank of San Francisco.

TABLE 29
**GROSS LOANS BY MAJOR CATEGORIES, ALL INSURED COMMERCIAL BANKS, CALIFORNIA, 1960–89**
(Dollars in millions)

| Year [a] | Real estate loans | Commercial and industrial loans | Agricultural loans | Loans to individuals | Other | Total |
|---|---|---|---|---|---|---|
| 1960 | $5,181 | $4,762 | $509 | $2,648 | $1,223 | $14,323 |
| 1961 | 5,358 | 5,122 | 592 | 2,769 | 1,313 | 15,154 |
| 1962 | 6,153 | 5,668 | 636 | 3,151 | 1,697 | 17,305 |
| 1963 | 7,027 | 6,009 | 716 | 3,634 | 2,376 | 19,762 |
| 1964 | 7,512 | 7,081 | 659 | 4,208 | 2,594 | 22,056 |
| 1965 | 7,974 | 8,284 | 748 | 4,686 | 2,661 | 24,353 |
| 1966 | 8,268 | 9,318 | 776 | 4,924 | 2,665 | 25,951 |
| 1967 | 8,485 | 10,112 | 803 | 5,126 | 2,697 | 27,223 |
| 1968 | 9,230 | 11,631 | 823 | 5,793 | 3,447 | 30,924 |
| 1969 | 9,545 | 12,276 | 866 | 6,045 | 3,706 | 32,439 |
| 1970 | 9,592 | 12,965 | 855 | 5,903 | 3,147 | 32,463 |
| 1971 | 10,871 | 13,682 | 990 | 6,659 | 4,193 | 36,395 |
| 1972 | 12,784 | 15,145 | 1,255 | 7,808 | 6,034 | 43,027 |
| 1973 | 15,607 | 18,831 | 1,559 | 8,846 | 7,056 | 51,899 |
| 1974 | 17,063 | 21,334 | 1,584 | 9,363 | 7,589 | 56,934 |
| 1975 | 16,724 | 20,156 | 1,614 | 10,023 | 7,121 | 55,637 |
| 1976 | 18,433 | 19,473 | 1,860 | 11,609 | 8,136 | 59,511 |
| 1977 | 23,648 | 21,635 | 2,019 | 14,637 | 8,470 | 70,409 |
| 1978 | 30,820 | 25,755 | 2,292 | 18,206 | 9,185 | 85,858 |
| 1979 | 39,088 | 30,260 | 2,655 | 22,080 | 8,741 | 102,824 |
| 1980 | 46,504 | 33,895 | 2,848 | 22,049 | 8,069 | 113,365 |
| 1981 | 52,291 | 39,502 | 3,345 | 21,982 | 11,780 | 128,900 |
| 1982 | 53,674 | 46,275 | 3,763 | 22,034 | 15,123 | 140,876 |
| 1983 | 54,448 | 48,845 | 4,136 | 23,900 | 18,140 | 149,469 |
| 1984 | 57,728 | 49,011 | 3,935 | 28,814 | 14,946 | 154,434 |
| 1985 | 61,602 | 49,297 | 3,377 | 33,455 | 16,768 | 164,499 |
| 1986 | 63,766 | 53,538 | 2,685 | 32,451 | 16,615 | 169,055 |
| 1987 | 69,293 | 50,237 | 2,475 | 30,519 | 13,111 | 165,635 |
| 1988 | 78,568 | 50,511 | 2,679 | 30,384 | 13,779 | 175,921 |
| 1989 [p] | 100,321 | 51,862 | 2,636 | 31,564 | 15,567 | 201,950 |

Note: Individual figures may not add to totals due to rounding.
[a] As of December call reports except as noted.
[p] Preliminary.
Source: Federal Reserve Bank of San Francisco.

TABLE 30
**LOANS AND SAVINGS CAPITAL, CALIFORNIA SAVINGS AND LOAN ASSOCIATIONS,[a] 1960–89**
(Dollars in millions)

| Year | Mortgage loans closed during the year | End of year mortgage loans outstanding | End of year savings capital | Net new savings during the year [b] |
|---|---|---|---|---|
| 1960 | $2,955 | $9,141 | $8,885 | n/a |
| 1961 | 4,147 | 11,241 | 10,778 | n/a |
| 1962 | 5,590 | 13,941 | 13,339 | n/a |
| 1963 | 7,691 | 17,677 | 16,536 | n/a |
| 1964 | 7,137 | 20,529 | 19,300 | n/a |
| 1965 | 5,825 | 22,176 | 20,993 | n/a |
| 1966 | 2,953 | 22,477 | 21,215 | $−610 |
| 1967 | 3,641 | 23,558 | 23,469 | 1,360 |
| 1968 | 3,914 | 25,154 | 24,283 | −122 |
| 1969 | 3,845 | 26,780 | 23,889 | −1,395 |
| 1970 | 3,517 | 28,250 | 25,040 | 115 |
| 1971 | 6,576 | 31,907 | 30,054 | 3,776 |
| 1972 | 8,809 | 37,199 | 35,660 | 4,114 |
| 1973 | 7,735 | 41,113 | 37,836 | 476 |
| 1974 | 6,413 | 43,758 | 39,359 | −349 |
| 1975 | 10,689 | 49,100 | 47,147 | 5,565 |
| 1976 | 17,903 | 58,553 | 57,102 | 7,218 |
| 1977 | 24,888 | 70,734 | 66,918 | 6,480 |
| 1978 | 24,391 | 80,765 | 74,896 | 4,180 |
| 1979 | 25,574 | 92,512 | 84,166 | 4,814 |
| 1980 | 16,074 | 98,196 | 89,693 | 106 |
| 1981 | 10,504 | 107,866 | 96,163 [c] | −5,815 |
| 1982 | 14,082 | 105,927 | 108,712 [c] | 1,281 |
| 1983 | 42,594 | 132,297 | 147,857 [c] | 29,205 |
| 1984 | 54,120 | 166,477 | 188,761 [c] | 28,457 |
| 1984 | 56,024 [d] | 159,562 [e] | 189,788 [c] | 28,355 |
| 1985 | 56,444 [d] | 173,076 [e] | 199,907 [c] | −4,056 |
| 1986 | 84,949 [d] | 183,485 [e] | 218,132 [c] | 6,062 |
| 1987 | 91,422 [d] | 203,723 [e] | 239,780 [c] | 9,824 |
| 1988 | 100,451 [d] | 238,317 [e] | 258,855 [c] | 3,400 |
| 1989 [p] | 81,710 [d] | 245,488 [e] | 255,031 [c] | −19,155 |

[a] Insured (FSLIC) California savings institutions that are members of the Federal Home Loan Bank of San Francisco. For the periods covered by this table, these institutions have accounted for at least 99.5% of California savings institution assets. Since 1976 all California institutions are included.
[b] New savings received less withdrawals excludes interest credited to savings accounts.
[c] Includes data from branch offices outside of California.
[d] Not comparable to data reported through 1984, due to a change in reporting. When a loan is refinanced at the same institution that held the original loan, the total amount of the refinanced loan is reported. Formerly, only the net amount of additional financing was included.
[e] Not comparable to data reported through 1984 due to a change in reporting. Includes certain government-insured mortgages that were formerly excluded and excludes loans in process that were formerly included.
[p] Preliminary.
Source: Federal Home Loan Bank of San Francisco.

TABLE 31
**SELECTED DATA ON FEDERALLY CHARTERED CREDIT UNIONS IN CALIFORNIA, 1960–88** [a]
(Dollars in thousands)

| Year [b] | Number of credit unions | Number of members | Total assets | Shares | Total loans outstanding |
|---|---|---|---|---|---|
| 1960 | 1014 | 787,450 | $383,723 | $340,165 | $313,245 |
| 1961 | 1056 | 852,214 | 441,302 | 393,828 | 347,402 |
| 1962 | 1081 | 927,654 | 511,824 | 453,316 | 409,969 |
| 1963 | 1106 | 1,015,808 | 601,294 | 533,445 | 473,297 |
| 1964 | 1128 | 1,102,380 | 699,250 | 618,385 | 550,150 |
| 1965 | 1142 | 1,192,932 | 785,707 | 693,993 | 636,454 |
| 1966 | 1185 | 1,309,746 | 861,285 | 753,300 | 718,046 |
| 1967 | 1209 | 1,407,640 | 946,456 | 834,393 | 768,772 |
| 1968 | 1225 | 1,492,051 | 1,055,097 | 923,136 | 883,881 |
| 1969 | 1255 | 1,585,602 | 1,191,712 | 1,034,749 | 1,024,828 |
| 1970 | 1249 | 1,181,164 | 1,360,754 | 1,181,164 | 1,109,716 |
| 1971 | 1225 | 1,746,653 | 1,626,494 | 1,436,952 | 1,267,686 |
| 1972 | 1232 | 1,871,287 | 1,928,350 | 1,715,276 | 1,471,791 |
| 1973 | 1239 | 2,045,500 | 2,272,202 | 1,987,138 | 1,758,048 |
| 1974 | 1230 | 2,282,543 | 2,737,187 | 2,367,268 | 2,106,113 |
| 1975 | 1208 | 2,445,115 | 3,403,739 | 2,994,889 | 2,498,064 |
| 1976 | 1189 | 2,683,441 | 4,185,397 | 3,668,616 | 3,150,913 |
| 1977 | 1164 | 2,995,904 | 5,374,256 | 4,613,661 | 4,119,205 |
| 1978 | 1143 | 3,421,378 | 6,374,125 | 5,408,209 | 5,110,916 |
| 1979 | 1108 | 3,682,794 | 6,616,630 | 5,737,523 | 4,994,833 |
| 1980 | 1057 | 3,968,900 | 6,950,809 | 6,286,440 | 4,410,825 |
| 1981 | 980 | 4,159,003 | 6,826,930 | 6,158,178 | 4,365,916 |
| 1982 | 906 | 4,446,793 | 7,275,638 | 6,631,732 | 4,420,910 |
| 1983 | 850 | 3,975,086 | 8,684,128 | 7,999,116 | 5,202,513 |
| 1984 | 814 | 3,990,110 | 10,847,424 | 9,533,799 | 6,448,805 |
| 1985 | 790 | 5,967,495 | 16,205,219 | 15,214,141 | 10,499,988 |
| 1986 | 766 | 4,307,160 | 15,211,422 | 14,011,223 | 8,889,415 |
| 1987 [c] | 742 | — | 17,102,244 | 15,682,029 | 10,666,409 |
| 1988 | 712 | 5,059,752 | 18,629,617 | 17,019,032 | 12,266,802 |

[a] Regulated by the National Credit Union Administration.
[b] As of December 31st.
[c] Due to a change in reporting procedures, State data on the number of members were not available.
Source: California Department of Corporations.

TABLE 32
**SELECTED DATA ON STATE CHARTERED CREDIT UNIONS IN CALIFORNIA, 1960–88**
(Dollars in thousands)

| Year [a] | Number of credit unions | Number of members | Total assets | Shares | Total loans outstanding | Real estate loans outstanding |
|---|---|---|---|---|---|---|
| 1960 | 568 | 573,548 | $304,885 | $263,793 | $266,374 | $41,676 |
| 1961 | 573 | 630,121 | 350,725 | 308,711 | 296,058 | 44,724 |
| 1962 | 578 | 675,287 | 396,343 | 343,890 | 340,125 | 47,736 |
| 1963 | 582 | 709,911 | 448,963 | 394,587 | 382,766 | 44,573 |
| 1964 | 597 | 788,816 | 513,302 | 449,214 | 437,040 | 53,971 |
| 1965 | 587 | 828,389 | 577,007 | 496,601 | 500,689 | 54,874 |
| 1966 | 623 | 889,636 | 639,154 | 549,351 | 568,782 | 64,561 |
| 1967 | 636 | 955,166 | 712,321 | 617,575 | 613,189 | 64,600 |
| 1968 | 626 | 1,006,190 | 795,758 | 684,727 | 696,891 | 83,837 |
| 1969 | 623 | 1,077,259 | 891,033 | 772,482 | 788,420 | 94,154 |
| 1970 | 631 | 1,139,372 | 998,764 | 868,721 | 858,839 | 101,161 |
| 1971 | 599 | 1,182,550 | 1,152,210 | 1,004,478 | 976,271 | 102,925 |
| 1972 | 590 | 1,248,463 | 1,330,711 | 1,160,215 | 1,105,569 | 110,489 |
| 1973 | 596 | 1,296,105 | 1,511,003 | 1,316,539 | 1,287,143 | 146,789 |
| 1974 | 591 | 1,312,193 | 1,615,949 | 1,420,664 | 1,396,985 | 185,955 |
| 1975 | 587 | 1,341,288 | 1,935,507 | 1,710,369 | 1,621,089 | 224,553 |
| 1976 | 576 | 1,503,437 | 2,232,994 | 2,057,351 | 1,991,402 | 297,474 |
| 1977 | 556 | 1,601,603 | 2,851,789 | 2,504,181 | 2,453,162 | 408,251 |
| 1978 | 534 | 1,678,279 | 3,261,776 | 2,842,131 | 2,903,915 | 607,752 |
| 1979 | 493 | 1,825,160 | 3,535,214 | 2,877,833 | 3,065,665 | 598,067 |
| 1980 | 478 | 1,973,513 | 3,798,533 | 3,189,679 | 2,977,642 | 615,902 |
| 1981 | 450 | 1,975,104 | 3,794,317 | 3,221,836 | 3,011,722 | 655,907 |
| 1982 | 417 | 1,921,032 | 3,788,929 | 3,351,392 | 2,710,921 | 607,421 |
| 1983 | 397 | 2,040,746 | 4,761,669 | 4,258,249 | 3,286,588 | 650,527 |
| 1984 | 376 | 2,010,832 | 5,439,894 | 4,885,542 | 4,088,618 | 855,287 |
| 1985 | 360 | 2,074,771 | 6,384,522 | 5,854,804 | 4,568,946 | 983,565 |
| 1986 | 345 | 2,122,970 | 7,699,129 | 7,094,187 | 5,247,434 | 1,374,204 |
| 1987 | 326 | 2,137,891 | 8,108,128 | 7,439,497 | 5,764,121 | 1,844,562 |
| 1988 | 312 | 2,261,269 | 9,188,188 | 8,396,498 | 6,959,097 | 2,623,122 |

[a] As of December 31st.
Source: California Department of Corporations. Report of State Chartered Credit Unions.

TABLE 33
**SELECTED DATA ON FINANCE COMPANIES IN CALIFORNIA, 1971–88** [a]
(Dollars in thousands)

| Year [b] | Number of loans made | Total principal amount of loans made | Consumer loans under $10,000 and commercial loans under $5,000 | | Consumer loans of $10,000 or more and commercial loans of $5,000 or more |
|---|---|---|---|---|---|
| | | | Secured by personal property | Secured by personal property and real property | |
| 1971 | 1,170,013 | $1,897,472 | $1,153,541 | $54,150 | $689,781 |
| 1972 | 1,210,311 | 1,973,792 | 1,268,113 | 62,418 | 643,261 |
| 1973 | 1,202,884 | 2,424,236 | 1,344,871 | 90,028 | 989,337 |
| 1974 | 1,024,276 | 2,403,516 | 1,212,864 | 111,590 | 1,079,062 |
| 1975 | 883,047 | 2,234,827 | 1,114,707 | 156,257 | 963,863 |
| 1976 | 995,459 | 2,756,599 | 1,287,307 | 212,665 | 1,256,627 |
| 1977 | 1,073,690 | 3,047,796 | 1,393,534 | 224,676 | 1,429,586 |
| 1978 | 1,141,163 | 3,562,541 | 1,530,849 | 189,625 | 1,842,064 |
| 1979 | 1,097,742 | 5,265,756 | 1,408,269 | 182,030 | 3,675,457 |
| 1980 | 644,632 | 3,925,512 | 857,357 | 187,819 | 2,880,336 |
| 1981 | 424,672 | 4,754,757 | 532,610 | 203,507 | 4,018,640 |
| 1982 | 372,192 | 4,034,562 | 556,396 | 125,110 | 3,353,056 |
| 1983 | 462,319 | 5,946,563 | 790,603 | 104,839 | 5,051,121 |

| | Number of loans made | Total principal amount of loans made | Consumer and commercial loans over $5,000 | | Consumer loans under $5,000 |
|---|---|---|---|---|---|
| | | | Secured by personal property | Secured by personal property and/or real property | |
| 1984 [c] | 713,094 | $9,871,291 | $5,403,132 | $3,388,735 | $1,079,424 |
| 1985 | 939,829 | 10,772,085 | 2,749,887 | 7,319,781 | 1,253,371 |
| 1986 | 806,792 | 15,946,053 | 6,460,085 | 8,450,462 | 1,144,000 |
| 1987 | 958,181 | 26,452,306 | 8,024,683 | 17,104,574 | 1,323,049 |
| 1988 | 968,431 | 20,582,185 | 7,021,873 | 12,268,213 | 1,292,099 |

[a] Finance companies are licensed under the Personal Property Brokers Law, the Consumer Finance Lender Law, and/or the Commercial Finance Lenders Law.
[b] Data refers to loans made during each year.
[c] In 1984 the categories for reporting loans changed due to changes in regulations about types of security.
Source: California Department of Corporations, Annual Reports for California Consumer Finance Laws.

TABLE 34

**SELECTED DATA ON INDUSTRIAL LOAN COMPANIES IN CALIFORNIA, 1971–88 [a]**

(Dollars in thousands)

| Year | Total asset [b] | Investment certificates [c] | Consumer loans | | Commercial loans | | Premium finance agencies | |
|---|---|---|---|---|---|---|---|---|
| | | | Number of loans made [c] | Principal amount of loans made [c] | Number of loans made [c] | Principal amount of loans made [c] | Number of loans made [c] | Principal amount of loans made [c] |
| 1971 | $456,632 | $307,393 | 170,330 | $328,597 [d] | — | — | 75,242 | $66,540 |
| 1972 | 523,969 | 344,209 | 199,737 | 381,595 [d] | — | — | 78,681 | 75,623 |
| 1973 | 542,939 | 381,150 | 189,278 | 358,728 [d] | — | — | 79,893 | 80,971 |
| 1974 | 560,343 | 420,069 | 179,473 | 351,119 | 1,359 | $17,987 | 81,645 | 86,655 |
| 1975 | 613,119 | 475,922 | 166,339 | 361,887 | 1,453 | 20,651 | 79,804 | 107,310 |
| 1976 | 687,399 | 537,212 | 202,104 | 428,453 | 25,467 [e] | 106,897 | 19,057 | 43,303 |
| 1977 | 772,406 | 608,832 | 209,259 | 451,880 | 28,277 | 144,528 | 14,206 | 48,853 |
| 1978 | 875,928 | 678,918 | 209,884 | 509,688 | 30,320 | 175,828 | 17,849 | 63,160 |
| 1979 | 1,007,766 | 766,963 | 197,740 | 549,796 | 33,894 | 185,920 | 18,822 | 74,328 |
| 1980 | 1,120,406 | 857,038 | 155,747 | 448,205 | 39,367 | 231,007 | 22,521 | 85,678 |
| 1981 | 1,262,858 | 963,275 | 97,141 | 377,766 | 4,214 [f] | 119,556 | 29,884 | 100,693 |
| 1982 | 1,630,687 | 1,266,241 | 114,501 | 513,202 | 4,020 | 165,059 | 22,964 | 101,072 |
| 1983 | 2,035,330 | 1,621,750 | 140,240 | 609,720 | 4,421 | 207,448 | 26,399 | 98,180 |
| 1984 | 2,325,240 | 1,896,856 | 94,777 | 558,180 | 4,612 | 223,684 | 21,843 | 110,495 |
| 1985 | 2,508,680 | 2,032,165 | 103,964 | 562,957 | 7,347 | 274,318 | 28,582 | 305,328 |
| 1986 | 2,677,784 | 2,172,610 | 107,620 | 651,828 | 3,046 | 210,821 | 29,669 | 420,856 |
| 1987 | 2,997,975 | 2,426,423 | 152,471 | 935,363 | 3,353 | 296,311 | 91,310 | 1,010,116 |
| 1988 | 3,624,578 | 2,972,660 | 131,188 | 1,193,194 | 4,227 | 456,274 | 113,773 | 1,040,359 |

[a] Industrial loan companies are licensed lenders who are exempt from the usury law and who make unsecured and secured loans. This schedule does not include mortgage bankers licensed under the Industrial Loan Law.

[b] As of December 31st. Total assets restated to include thrift companies, non-thrift companies and premium finance agencies.

[c] Data refers to loans made during each year.

[d] Includes commercial loans.

[e] Insurance premium finance company was reclassified as a thrift.

[f] Loans secured by insurance premiums were removed from non-consumer loans and reclassified.

Source: California Department of Corporation, Annual Reports for California Consumer Finance Laws.

TABLE 35
**SUMMARY OF STATE TAX COLLECTIONS, 1960–61 TO 1990–91**
(Excluding departmental, interest and miscellaneous revenue)

| Fiscal year | State tax collections | | | Taxes per capita [a] | | | Taxes per $100 of personal income [b] | | |
|---|---|---|---|---|---|---|---|---|---|
| | General fund (thousands) | Special funds (thousands) | Total (thousands) | General fund | Special funds | Total | General fund | Special funds | Total |
| Cash basis | | | | | | | | | |
| 1960–61 | $1,537,347 | $656,815 | $2,194,162 | $96.91 | $41.41 | $138.32 | $3.48 | $1.49 | $4.96 |
| 1961–62 | 1,645,300 | 669,267 | 2,314,567 | 100.25 | 40.78 | 141.03 | 3.51 | 1.43 | 4.94 |
| 1962–63 | 1,791,038 | 711,185 | 2,502,223 | 105.66 | 41.96 | 147.62 | 3.54 | 1.41 | 4.95 |
| 1963–64 | 2,057,962 | 813,937 | 2,871,900 | 117.40 | 46.43 | 163.83 | 3.80 | 1.50 | 5.31 |
| 1964–65 | 2,161,157 | 931,958 | 3,093,115 | 119.89 | 51.70 | 171.59 | 3.68 | 1.59 | 5.27 |
| 1965–66 | 2,398,958 | 971,625 | 3,370,582 | 129.93 | 52.62 | 182.55 | 3.82 | 1.55 | 5.37 |
| 1966–67 | 2,422,275 | 993,277 | 3,415,552 | 128.63 | 52.75 | 181.38 | 3.55 | 1.45 | 5.00 |
| Accrual basis [c] | | | | | | | | | |
| 1966–67 | 2,746,888 | 1,091,387 | 3,838,275 | 145.87 | 57.96 | 203.83 | 4.02 | 1.60 | 5.62 |
| 1967–68 | 3,557,610 | 1,118,311 | 4,675,921 | 185.55 | 58.31 | 243.86 | 4.83 | 1.52 | 6.35 |
| 1968–69 | 3,962,520 | 1,210,229 | 5,172,748 | 203.94 | 62.27 | 266.21 | 4.90 | 1.50 | 6.40 |
| 1969–70 | 4,125,607 | 1,283,258 | 5,408,865 | 208.96 | 64.98 | 273.94 | 4.66 | 1.45 | 6.11 |
| 1970–71 | 4,290,263 | 1,308,350 | 5,598,613 | 214.08 | 65.33 | 279.41 | 4.51 | 1.38 | 5.89 |
| 1971–72 | 5,212,693 | 1,385,863 | 6,598,555 | 256.22 | 68.12 | 324.34 | 5.17 | 1.37 | 6.54 |
| 1972–73 | 5,758,266 | 1,470,905 | 7,229,171 | 279.72 | 71.46 | 351.18 | 5.22 | 1.33 | 6.55 |
| 1973–74 | 6,379,476 | 1,497,588 | 7,877,064 | 305.67 | 71.78 | 377.45 | 5.24 | 1.23 | 6.47 |
| 1974–75 | 8,045,039 | 1,529,459 | 9,574,497 | 379.95 | 72.21 | 452.16 | 5.91 | 1.12 | 7.03 |
| 1975–76 | 9,068,903 | 1,641,174 | 10,710,077 | 421.07 | 76.19 | 497.26 | 6.06 | 1.09 | 7.15 |
| 1976–77 | 10,780,867 | 1,744,013 | 12,524,880 | 491.48 | 79.50 | 570.98 | 6.43 | 1.04 | 7.47 |
| 1977–78 | 12,951,613 | 1,874,714 | 14,826,327 | 579.46 | 83.84 | 663.30 | 6.92 | 1.00 | 7.92 |
| 1978–79 | 14,187,549 | 2,013,879 | 16,201,427 | 621.30 | 88.15 | 709.45 | 6.60 | 0.94 | 7.54 |
| 1979–80 | 16,860,019 | 2,197,397 | 19,057,417 | 724.94 | 94.47 | 819.41 | 6.89 | 0.89 | 7.78 |
| 1980–81 | 17,808,092 | 2,191,849 | 19,999,941 | 748.86 | 92.18 | 841.04 | 6.45 | 0.80 | 7.25 |
| 1981–82 | 19,109,448 | 2,446,637 | 21,556,085 | 787.45 | 100.83 | 888.28 | 6.19 | 0.79 | 6.98 |
| 1982–83 | 19,578,803 | 2,796,214 | 22,375,017 | 789.92 | 112.81 | 902.73 | 5.97 | 0.85 | 6.82 |
| 1983–84 | 22,308,528 | 3,376,907 | 25,685,435 | 881.47 | 133.39 | 1,014.86 | 6.33 | 0.96 | 7.29 |
| 1984–85 | 25,514,709 | 3,522,886 | 29,037,595 | 989.72 | 136.66 | 1,126.38 | 6.56 | 0.90 | 7.46 |
| 1985–86 | 26,981,981 | 3,933,876 | 30,915,857 | 1,023.67 | 149.26 | 1,172.93 | 6.38 | 0.93 | 7.31 |
| 1986–87 | 31,330,525 | 4,036,980 | 35,367,505 | 1,160.45 | 149.52 | 1,309.97 | 6.92 | 0.89 | 7.81 |
| 1987–88 | 31,231,293 | 4,384,836 | 35,616,129 | 1,129.31 | 158.56 | 1,287.87 | 6.36 | 0.89 | 7.25 |
| 1988–89 | 35,646,734 | 4,972,033 | 40,618,767 | 1,258.59 | 175.55 | 1,434.13 | 6.71 | 0.94 | 7.65 |
| 1989–90 [d] | 37,974,000 | 5,826,179 | 43,800,179 | 1,306.61 | 200.46 | 1,507.07 | 6.64 | 1.02 | 7.66 |
| 1990–91 [d] | 41,476,000 | 6,139,973 | 47,615,973 | 1,393.07 | 206.23 | 1,599.30 | 6.66 | 0.99 | 7.65 |

[a] Per Capita computations are based on July 1 populations estimates.
[b] Taxes per $100 personal income computed using calendar year personal income e.g. 1967 income related to 1967–68 tax collections.
[c] Beginning in 1966–67 most state revenues were placed on an accrual basis. Beginning in 1973–74, accounts receivable only are accrued.
[d] Estimated.
Data may not add due to rounding.
Source: California Department of Finance.

TABLE 36
**COMPARATIVE YIELD OF STATE TAXES, 1960–61 TO 1990–91**
(Dollars in thousands)

| Fiscal year | Sales and use | Personal income | Bank and corporation [a] | Tobacco [b] | Inheritance and gift [c] | Insurance [d] | Alcoholic beverages | Horse racing | Motor vehicle fuel [e] | Motor vehicle fees [f] |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash basis | | | | | | | | | | |
| 1960–61 | $711,702 | $269,103 | $272,718 | $66,024 | $76,803 | $66,745 | $50,978 | $37,260 | $350,801 | $264,842 |
| 1961–62 | 749,523 | 299,034 | 290,870 | 66,054 | 76,012 | 71,699 | 55,913 | 38,311 | 363,771 | 274,906 |
| 1962–63 | 813,465 | 322,012 | 311,251 | 70,194 | 92,432 | 77,970 | 58,811 | 41,663 | 386,215 | 298,356 |
| 1963–64 | 876,944 | 392,341 | 405,431 | 71,822 | 102,195 | 107,200 | 61,444 | 43,442 | 450,195 | 329,584 |
| 1964–65 | 939,649 | 410,109 | 416,247 | 74,477 | 114,464 | 95,199 | 66,337 | 47,560 | 542,822 | 353,607 |
| 1965–66 | 1,096,162 | 454,625 | 435,597 | 74,578 | 123,781 | 100,854 | 69,324 | 47,443 | 551,108 | 382,656 |
| 1966–67 | 1,053,249 | 500,086 | 453,292 | 75,597 | 114,413 | 107,186 | 73,315 | 49,311 | 548,287 | 405,061 |
| Accrual basis [g] | | | | | | | | | | |
| 1966–67 | 1,190,750 | 626,697 | 453,292 | 78,191 | 141,899 | 131,226 | 79,697 | 49,311 | 643,698 | 405,061 |
| 1967–68 | 1,464,927 | 952,487 | 576,874 | 219,272 | 135,554 | 121,155 | 94,896 | 54,799 | 581,127 | 437,918 |
| 1968–69 | 1,652,979 | 1,101,691 | 592,303 | 237,328 | 158,815 | 130,312 | 99,612 | 59,839 | 625,667 | 469,655 |
| 1969–70 | 1,753,611 | 1,152,053 | 587,013 | 236,878 | 164,299 | 136,733 | 105,908 | 58,244 | 668,537 | 498,992 |
| 1970–71 | 1,808,052 | 1,264,383 | 532,091 | 239,721 | 185,699 | 158,423 | 106,556 | 64,601 | 674,635 | 513,202 |
| 1971–72 | 2,015,993 | 1,785,618 | 662,522 | 247,424 | 220,192 | 170,179 | 112,091 | 69,380 | 712,426 | 547,845 |
| 1972–73 | 2,198,523 | 1,884,058 | 866,117 | 253,602 | 260,119 | 179,674 | 114,884 | 72,693 | 746,196 | 596,922 |
| 1973–74 | 2,675,738 | 1,829,385 | 1,057,191 | 258,921 | 231,934 | 201,697 | 119,312 | 78,289 | 742,702 | 644,448 |
| 1974–75 | 3,376,078 | 2,579,676 | 1,253,673 | 261,975 | 242,627 | 202,991 | 120,749 | 86,637 | 752,234 | 664,453 |
| 1975–76 | 3,742,524 | 3,086,611 | 1,286,515 | 268,610 | 316,648 | 241,224 | 125,313 | 96,117 | 766,555 | 749,936 |
| 1976–77 | 4,314,201 | 3,761,356 | 1,641,500 | 269,384 | 367,964 | 322,476 | 127,485 | 102,702 | 810,321 | 807,782 |
| 1977–78 | 5,030,438 | 4,667,887 | 2,082,208 | 273,658 | 365,092 | 387,560 | 132,060 | 111,591 | 850,181 | 924,410 |
| 1978–79 | 5,780,919 | 4,761,571 | 2,381,223 | 268,816 | 416,955 | 420,184 | 140,059 | 112,856 | 896,591 | 1,021,856 |
| 1979–80 | 6,623,521 | 6,506,015 | 2,510,039 | 290,043 | 465,611 | 446,228 | 138,940 | 127,002 | 852,752 | 1,096,640 |
| 1980–81 | 7,131,429 | 6,628,694 | 2,730,624 | 278,161 | 530,185 | 460,926 | 142,860 | 129,779 | 839,994 | 1,127,293 |
| 1981–82 | 7,689,023 | 7,483,007 | 2,648,735 | 276,824 | 482,300 | 454,984 | 139,523 | 119,626 | 833,446 | 1,373,354 |
| 1982–83 | 7,795,488 | 7,701,099 | 2,536,011 | 271,621 | 517,875 | 736,929 | 136,209 | 120,159 | 928,633 | 1,614,993 |
| 1983–84 | 8,797,865 | 9,290,279 | 3,231,281 | 263,231 | 236,452 | 457,490 | 137,433 | 141,001 | 1,213,167 | 1,906,290 |
| 1984–85 | 9,797,564 | 10,807,706 | 3,664,593 | 262,868 | 296,805 | 643,139 | 135,786 | 133,814 | 1,159,637 | 2,137,326 |
| 1985–86 | 10,317,930 | 11,413,040 | 3,843,024 | 258,141 | 252,810 | 839,939 | 132,262 | 131,592 | 1,194,172 | 2,515,295 |
| 1986–87 | 10,904,022 | 13,924,527 | 4,800,843 | 255,076 | 273,089 | 1,008,804 | 131,288 | 131,733 | 1,245,881 | 2,692,835 |
| 1987–88 | 11,650,531 | 12,950,346 | 4,776,388 | 250,572 | 304,148 | 1,158,321 | 128,734 | 132,208 | 1,293,254 | 2,966,334 |
| 1988–89 | 12,650,893 | 15,886,361 | 5,138,009 | 559,616 | 335,092 | 1,317,630 | 128,264 | 143,379 | 1,320,512 | 3,139,011 |
| 1989–90 [h] | 13,847,000 | 17,381,500 | 5,265,000 | 797,000 | 371,000 | 1,194,000 | 128,000 | 146,030 | 1,336,040 | 3,334,609 |
| 1990–91 [h] | 15,013,000 | 19,056,500 | 5,900,000 | 776,000 | 397,000 | 1,273,000 | 127,000 | 155,650 | 1,361,100 | 3,556,723 |

[a] Includes the corporation income tax.
[b] Proposition 99, of 1988, increased the cigarette tax to $0.35 per pack and added an equivalent tax to other tobacco products.
[c] Proposition 6, of 1982, repealed the inheritance and gift taxes and imposed an estate tax equal to the maximum allowable Federal estate tax credit effective for decedents dying on or after June 8, 1982.
[d] The conclusion of litigation resulted in additional revenue of $51 million in 1987–88, $178 million in 1988–89 and is estimated will result in an additional $13 million in 1990–91.
[e] Motor vehicle fuel tax (gasoline), use fuel tax (diesel) and liquefied petroleum gas.
[f] Registration and weight fees, motor vehicle license fees and other fees.
[g] Beginning in 1966–67 most state revenues were placed on an accrual basis. Beginning with 1973–74, accounts receivable only are accrued.
[h] Estimated.
Source: California Department of Finance.

TABLE 37

**ASSESSED VALUE OF TANGIBLE PROPERTY, TANGIBLE PROPERTY TAX LEVIES AND AVERAGE TAX RATE IN CALIFORNIA, 1960–61 to 1989–90**

| Year | Assessed value [b] | | Tax levies [a] | | Average tax rate | |
|---|---|---|---|---|---|---|
| | Amount (In thousands) | Percent change from preceding year | Amount (In thousands) | Percent change from preceding year | Dollars per $100 assessed value | Percent change from preceding year |
| 1960–61 | $29,600,832 | 7.9 | $2,195,588 | 10.3 | $7.42 | 2.2 |
| 1961–62 | 31,549,630 | 6.6 | 2,414,617 | 10.0 | 7.65 | 3.1 |
| 1962–63 | 33,326,914 | 5.6 | 2,606,131 | 7.9 | 7.82 | 2.2 |
| 1963–64 | 35,066,088 | 5.2 | 2,805,152 | 7.6 | 8.00 | 2.3 |
| 1964–65 | 36,743,364 | 4.8 | 3,057,579 | 9.0 | 8.32 | 4.0 |
| 1965–66 | 39,464,013 | 7.4 | 3,367,736 | 10.1 | 8.53 | 2.5 |
| 1966–67 | 42,522,365 | 7.7 | 3,758,481 | 11.7 | 8.84 | 3.6 |
| 1967–68 | 46,186,881 | 8.6 | 4,110,742 | 9.3 | 8.90 | 0.7 |
| 1968–69 | 48,653,400 | 5.3 | 4,569,986 | 11.2 | 9.39 | 5.5 |
| 1969–70 | 52,115,409 | 7.1 | 4,935,475 | 8.0 | 9.92 | 5.6 |
| 1970–71 | 55,580,735 | 6.6 | 5,721,672 | 15.9 | 10.86 | 9.4 |
| 1971–72 | 58,785,243 | 5.8 | 6,372,331 | 11.5 | 11.43 | 5.3 |
| 1972–73 | 62,790,656 | 6.8 | 6,819,609 | 7.0 | 11.44 | 0.1 |
| 1973–74 | 67,277,649 | 7.1 | 6,647,769 | −2.5 | 11.15 | −2.5 |
| 1974–75 | 74,298,823 | 10.4 | 7,383,411 | 11.0 | 11.24 | 0.8 |
| 1975–76 | 82,691,658 | 11.3 | 8,304,125 | 12.5 | 11.33 | 0.8 |
| 1976–77 | 93,716,623 | 13.3 | 9,376,391 | 12.9 | 11.20 | −1.2 |
| 1977–78 | 106,694,452 | 13.8 | 10,276,725 | 9.7 | 10.68 | −4.6 |
| 1978–79 [c] | 116,736,826 | 9.4 | 5,635,715 | −45.2 | 5.37 | −49.7 |
| 1979–80 | 132,820,831 | 13.8 | 5,661,081 | 0.4 | 4.69 | −1.5 |
| 1980–81 | 144,739,438 | 17.9 [d] | 6,360,276 | 12.4 | 4.63 | −1.3 |
| 1981–82 | 657,927,501 [e] | 13.6 [e] | 7,185,005 | 13.0 | 1.144 | −1.2 |
| 1982–83 | 737,111,920 | 12.0 | 8,007,037 | 11.4 | 1.131 | −1.1 |
| 1983–84 | 797,370,474 | 8.2 | 8,634,771 | 7.8 | 1.126 | −0.4 |
| 1984–85 | 878,738,713 | 10.2 | 9,437,483 | 9.3 | 1.113 | −1.2 |
| 1985–86 | 968,620,180 | 10.2 | 10,274,050 | 8.9 | 1.096 | −1.5 |
| 1986–87 | 1,058,686,538 | 9.3 | 11,125,581 | 8.3 | 1.083 | −1.2 |
| 1987–88 | 1,165,057,481 | 10.0 | 12,203,544 | 9.7 | 1.078 | −0.5 |
| 1988–89 | 1,275,516,366 | 9.5 | 13,307,539 | 9.0 | 1.070 | −0.7 |
| 1989–90 | 1,412,511,744 | 10.7 | n/a | n/a | n/a | n/a |

[a] Excludes reimbursements to local government for homeowners' exemption and business inventory exemption.

[b] Includes the homeowners' exemption ($750 of assessed value from 1969–70 to 1972–73; $1,750 from 1973–74 to 1980–81; and $7,000 beginning in 1981–82). For 1989–90, the homeowners' exemption accounted for $32,146,177 of assessed value. The business inventory exemption (15% of assessed value in 1969–70; 30% during 1970–71 to 1972–73; 45% in 1973–74; and 50% from 1974–75 to 1979–80) was also included until 1980–81. Beginning in 1980–81, business inventories became totally exempt and were no longer enrolled.

[c] The revised amount of taxes includes unsecured levies based on the 1977–78 tax rate on secured property. Some counties did not levy at these rates until a 1980 California Supreme Court decision clarified the proper 1978–79 tax rate applicable to unsecured property.

[d] Business inventories became totally exempt effective on the 1980–81 property tax rolls. The 1980–81 percent change from the preceding year was computed by excluding from the 1979–80 assessed value both the taxable and exempt value of business inventories.

[e] The ratio of assessed value to taxable value was changed to 100 percent (from 25 percent) beginning with the lien date for 1981–82. The percent change was computed "after factoring the 1980–81 valuations to 100 percent of value.

n/a Not available.

Source: California State Board of Equalization.

TABLE 38

**ALLOCATIONS [a] OF GENERAL PROPERTY TAX LEVIES AS COMPILED FOR COMPUTATION OF THE AVERAGE TAX RATE, BY COUNTY, 1988–89**

(Tax allocations in thousands)

| County | City | County [b] | School [b] | Other [c] district | Total [c] | Average tax rate per $100 of assessed value [d] | |
|---|---|---|---|---|---|---|---|
| | | | | | | 1988–89 | 1987–88 |
| Alameda | $139,484 | $184,930 | $139,010 | $136,021 | $599,445 | 1.141% | 1.156% |
| Alpine | — | 1,101 | 331 | 188 | 1,620 | 1.041 | 1.051 |
| Amador | 597 | 6,115 | 6,639 | 345 | 13,696 | 1.020 | 1.027 |
| Butte | 4,380 | 13,055 | 32,632 | 8,288 | 58,355 | 1.044 | 1.038 |
| Calaveras | 101 | 4,758 | 9,589 | 2,607 | 17,055 | 1.074 | 1.076 |
| Colusa | 525 | 4,095 | 5,735 | 922 | 11,277 | 1.042 | 1.051 |
| Contra Costa | 50,287 | 116,545 | 151,073 | 144,837 | 462,742 | 1.079 | 1.090 |
| Del Norte | 100 | 1,614 | 2,727 | 784 | 5,225 | 1.026 | 1.031 |
| El Dorado | 3,808 | 19,619 | 23,385 | 13,353 | 60,165 | 1.052 | 1.055 |
| Fresno | 33,153 | 68,826 | 95,361 | 30,398 | 227,738 | 1.065 | 1.064 |
| Glenn | 834 | 3,636 | 6,096 | 594 | 11,160 | 1.051 | 1.048 |
| Humboldt | 1,921 | 13,632 | 17,168 | 5,785 | 38,506 | 1.041 | 1.046 |
| Imperial | 3,748 | 12,326 | 18,074 | 2,846 | 36,994 | 1.048 | 1.050 |
| Inyo | 259 | 4,893 | 6,893 | 1,126 | 13,171 | 1.020 | 1.022 |
| Kern | 18,771 | 127,670 | 140,449 | 39,607 | 326,497 | 1.071 | 1.070 |
| Kings | 2,147 | 12,244 | 9,679 | 2,731 | 26,801 | 1.040 | 1.034 |
| Lake | 870 | 9,641 | 11,929 | 4,564 | 27,004 | 1.028 | 1.029 |
| Lassen | 385 | 2,582 | 5,217 | 693 | 8,877 | 1.044 | 1.044 |
| Los Angeles | 690,793 | 1,535,379 | 790,210 | 664,176 | 3,680,558 | 1.067 | 1.074 |
| Madera | 1,386 | 10,518 | 20,850 | 2,388 | 35,142 | 1.080 | 1.083 |
| Marin | 19,363 | 42,598 | 61,204 | 23,902 | 147,067 | 1.025 | 1.029 |
| Mariposa | — | 2,258 | 4,128 | 409 | 6,795 | 1.000 | 1.000 |
| Mendocino | 985 | 12,008 | 15,864 | 2,596 | 31,453 | 1.092 | 1.091 |
| Merced | 4,434 | 20,088 | 21,721 | 5,268 | 51,511 | 1.039 | 1.043 |
| Modoc | 185 | 1,859 | 2,780 | 307 | 5,131 | 1.036 | 1.034 |
| Mono | 450 | 5,099 | 4,778 | 3,502 | 13,829 | 1.084 | 1.050 |
| Monterey | 13,794 | 37,642 | 67,104 | 20,388 | 138,928 | 1.019 | 1.025 |
| Napa | 6,131 | 17,901 | 27,813 | 3,256 | 55,101 | 1.041 | 1.045 |
| Nevada | 1,260 | 10,759 | 18,589 | 7,294 | 37,902 | 1.037 | 1.032 |
| Orange | 163,814 | 245,638 | 642,132 | 283,010 | 1,334,594 | 1.085 | 1.100 |
| Placer | 6,230 | 26,934 | 44,092 | 13,954 | 91,210 | 1.039 | 1.057 |
| Plumas | 116 | 4,164 | 9,195 | 1,911 | 15,386 | 1.041 | 1.010 |
| Riverside | 35,136 | 120,133 | 172,029 | 146,812 | 474,110 | 1.111 | 1.112 |
| Sacramento | 41,437 | 131,843 | 103,768 | 75,323 | 352,371 | 1.055 | 1.070 |
| San Benito | 641 | 3,133 | 7,801 | 3,498 | 15,073 | 1.096 | 1.105 |
| San Bernardino | 46,875 | 129,880 | 147,631 | 159,818 | 484,204 | 1.088 | 1.095 |

TABLE 38—Continued

**ALLOCATIONS [a] OF GENERAL PROPERTY TAX LEVIES AS COMPILED FOR COMPUTATION OF THE AVERAGE TAX RATE, BY COUNTY, 1988–89**

(Tax allocations in thousands)

| County | City | County [b] | School [b] | Other [c] district | Total [c] | Average tax rate per $100 of assessed value [d] | |
|---|---|---|---|---|---|---|---|
| | | | | | | 1988–89 | 1987–88 |
| San Diego | 164,021 | 257,662 | 525,271 | 103,933 | 1,050,887 | 1.045 | 1.055 |
| San Francisco | — | 391,628 | 39,900 | 31,966 | 463,494 | 1.091 | 1.101 |
| San Joaquin | 21,398 | 60,055 | 48,853 | 21,201 | 151,507 | 1.030 | 1.036 |
| San Luis Obispo | 10,226 | 45,463 | 73,522 | 7,814 | 137,025 | 1.068 | 1.066 |
| San Mateo | 52,624 | 97,532 | 191,759 | 46,435 | 388,350 | 1.023 | 1.022 |
| Santa Barbara | 10,753 | 52,799 | 82,945 | 29,047 | 175,544 | 1.020 | 1.029 |
| Santa Clara | 99,567 | 230,138 | 413,877 | 141,898 | 885,480 | 1.100 | 1.107 |
| Santa Cruz | 7,417 | 26,139 | 49,181 | 15,055 | 97,792 | 1.025 | 1.036 |
| Shasta | 3,974 | 14,407 | 31,355 | 5,304 | 55,040 | 1.064 | 1.066 |
| Sierra | 22 | 1,669 | 662 | 287 | 2,640 | 1.002 | 1.003 |
| Siskiyou | 1,284 | 5,635 | 8,586 | 836 | 16,341 | 1.026 | 1.011 |
| Solano | 21,281 | 36,462 | 31,086 | 26,323 | 115,152 | 1.099 | 1.120 |
| Sonoma | 16,038 | 60,239 | 85,090 | 19,831 | 181,198 | 1.055 | 1.064 |
| Stanislaus | 9,895 | 28,398 | 73,845 | 5,670 | 117,808 | 1.097 | 1.028 |
| Sutter | 2,149 | 8,016 | 11,550 | 2,298 | 24,013 | 1.027 | 1.031 |
| Tehama | 1,080 | 5,938 | 8,193 | 639 | 15,850 | 1.033 | 1.048 |
| Trinity | — | 1,928 | 2,904 | 301 | 5,133 | 1.029 | 1.032 |
| Tulare | 6,779 | 35,413 | 35,731 | 7,257 | 85,180 | 1.029 | 1.029 |
| Tuolumne | 278 | 8,704 | 11,624 | 1,528 | 22,134 | 1.040 | 1.032 |
| Ventura | 25,678 | 93,650 | 126,232 | 85,920 | 331,480 | 1.087 | 1.087 |
| Yolo | 12,846 | 13,070 | 20,563 | 4,904 | 51,383 | 1.067 | 1.087 |
| Yuba | 925 | 6,761 | 7,811 | 1,918 | 17,415 | 1.079 | 1.085 |
| Total | $1,762,635 | $4,446,822 | $4,724,216 | $2,373,866 | $13,307,539 | 1.071% | 1.078% |

[a] The county levies at a rate of $1.00 per $100 of assessed value have been allocated among the jurisdictions receiving a portion of those levies. Excluded is the following amount of state reimbursement to local governments: homeowners, $340,806,000.

[b] County levies for school purposes, such as junior college tuition and countywide school levies, are included with school levies.

[c] Includes debt levies on land and/or improvements only. Also includes the portion of the $1.00 levy allocated to jurisdictions previously taxing less than total property, i.e., land only or land and improvements only.

[d] Computed by dividing total levies by the assessed value and multiplying by 100.

Source: California State Board of Equalization.

TABLE 39
**CALIFORNIA TOTAL TRAVEL IMPACTS [a/] BY REGION [b/], 1988**
(Dollars in billions; employment in thousands)

| Region | Travel expenditures | Payroll | Employment | Tax receipts | |
|---|---|---|---|---|---|
| | | | | Local | State |
| North Coast | $1.58 | $0.32 | 27.9 | $0.03 | $0.07 |
| Shasta-Cascade | 0.32 | 0.05 | 6.2 | 0.01 | 0.01 |
| San Francisco Bay Area | 12.15 | 2.86 | 161.1 | 0.24 | 0.39 |
| Central Valley | 2.48 | 0.49 | 47.5 | 0.05 | 0.10 |
| Gold Country | 0.65 | 0.12 | 11.5 | 0.01 | 0.03 |
| High Sierra | 0.44 | 0.08 | 7.7 | 0.01 | 0.02 |
| Central Coast | 2.59 | 0.50 | 45.2 | 0.06 | 0.10 |
| Greater Los Angeles Area | 9.93 | 2.46 | 123.6 | 0.17 | 0.28 |
| Orange County | 2.85 | 0.60 | 46.7 | 0.07 | 0.11 |
| San Diego County | 4.79 | 0.99 | 75.6 | 0.10 | 0.18 |
| Deserts | 1.20 | 0.22 | 19.1 | 0.03 | 0.05 |
| Inland Empire | 0.97 | 0.18 | 16.2 | 0.02 | 0.04 |
| Total | 39.94 | 8.87 | 588.1 | 0.79 | 1.36 |

[a/] Includes accommodations, eating and drinking, food stores, ground transport, recreation, retail sales, air transportation, and travel arrangement.

[b/] North Coast: Del Norte, Humboldt, Lake, Marin, Mendocino, Napa, and Sonoma counties.
Shasta-Cascade: Lassen, Modoc, Shasta, Siskiyou, Tehama, and Trinity counties.
San Francisco Bay Area: Alameda, Contra Costa, San Francisco, San Mateo, Santa Clara, and Santa Cruz counties.
Central Valley: Butte, Colusa, Fresno, Glenn, Kern, Kings, Madera, Merced, Sacramento, San Joaquin, Solano, Stanislaus, Sutter, Tulare, Yolo,and Yuba counties.
Gold Country: Amador, Calaveras, El Dorado (61%), Mariposa, Placer, and Tuolumne counties.
High Sierra: Alpine, EL Dorado (39%), Mono, Nevada, Plumas, and Sierra counties.
Central Coast: Monterey, San Benito, San Luis Obispo, Santa Barbara, and Ventura counties.
Greater Los Angeles Area: Los Angeles County
Deserts: Imperial, Inyo, Riverside (70%), and San Bernardino (18%) counties
Inland Empire: Riverside (30%) and San Bernardino (82%) counties.

Source: California Department of Commerce
Dean Runyun Associates

TABLE 40
**MAJOR COLLECTIVE BARGAINING NEGOTIATIONS IN CALIFORNIA, 1990** [a]

| Month | Industry | Number of workers |
|---|---|---|
| January | All industries | 9,540 |
| | Motion picture production, distribution, and services | 4,000 |
| February | All industries | 7,220 |
| March | All industries | 23,060 |
| | Stone, clay and glass products | 4,540 |
| | Radio broadcasting and television | 3,000 |
| | Professional, educational and related services | 11,400 |
| April | All industries | 9,420 |
| May | All industries | 4,620 |
| June | All industries | 38,890 |
| | Food and kindred products | 3,000 |
| | Aircraft and ordnance | 6,000 |
| | Ship and boat building and repairing | 4,000 |
| | Construction | 16,690 |
| | Motion picture production, distribution and services | 5,100 |
| July | All industries | 67,950 |
| | Trucking and warehousing | 5,480 |
| | Water transportation | 6,630 |
| | Retail food and liquor stores | 52,600 |
| August | All industries | 7,130 |
| | Eating and drinking places, hotels and other lodging places | 3,500 |
| September | All industries | 7,200 |
| | Radio broadcasting and television | 5,000 |
| October | All industries | 3,200 |
| November | All industries | 0 |
| December | All industries | 8,600 |
| | Professional, educational and related services | 6,100 |
| | Total | 186,830 |

[a] During the months specified, the individual industries listed have at least 3,000 workers involved in bargaining. The all-industries total includes all contracts on file with DLSR covering 500 workers or more in each of the months specified.

Source: California Department of Industrial Relations, Division of Labor Statistics and Research.

## NOTES

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